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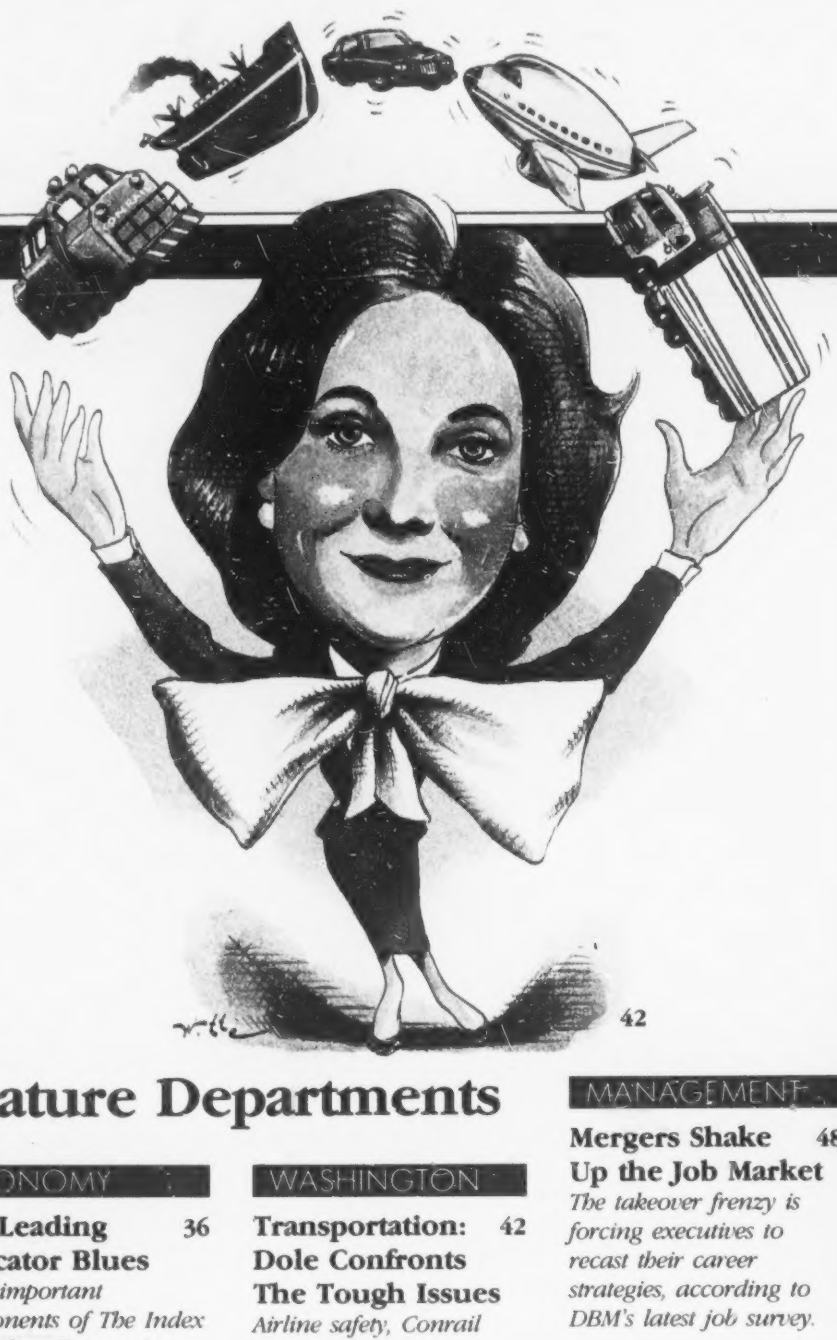

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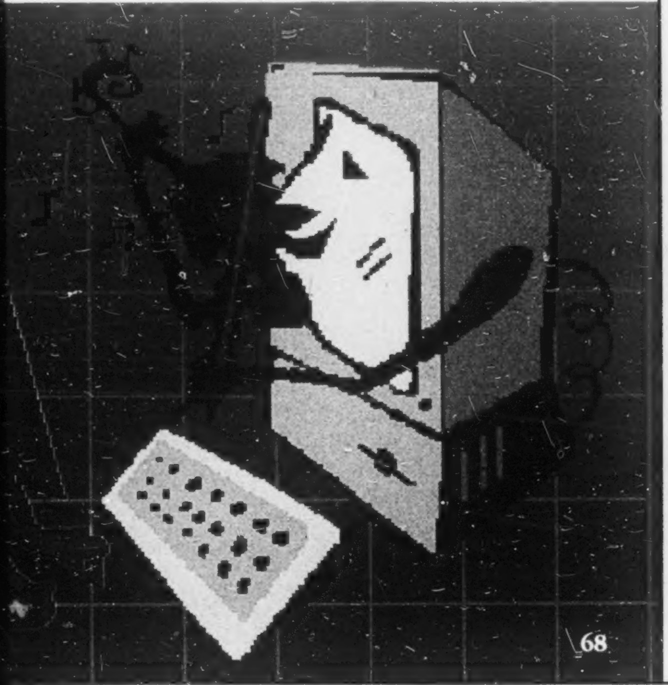

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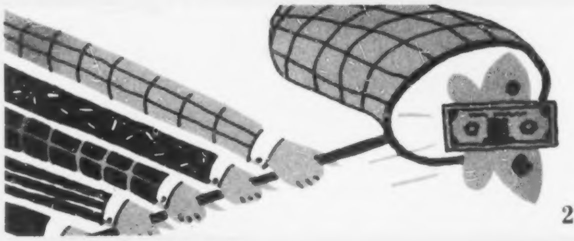

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The Case of the Vanishing Equities

Since year-end 1983, companies supported stock prices by buying more than $117 billion in shares.

by John C. Perham

Unnoticed except by close observers of the market, the supply of stock available to investors has been shrinking. Because there are no figures on total shares outstanding, no one can document this assertion, but market analysts like Steve Einhorn, vice president for research at Goldman, Sachs & Co., insist that "ever since the first quarter of 1984, net equity outstanding has been declining."

Who is responsible? Companies. By buying each other and their own shares back, nonfinancial corporations took $77 billion of equity out of circulation last year. This year, stock prices have topped their all-time highs, yet companies increased their stock buying, to almost $40 billion in the first half.

Since January 1, 1984, the fifty largest company purchases accounted for a total of $84 billion in market value of equity and 1.4 billion shares (*see table, page 56*). In recent weeks, Richardson-Vicks and General Foods have been merged away, joining the ghosts of such former market giants as Gulf Corp., Getty Oil Co. and Nabisco Brands. Leveraged buyouts gobbled up Denny's and Wometco Enterprises. And Mary Kay Cosmetics and Revlon are now marked to leave the Big Board's list as well. Moreover, most analysts expect stock to continue disappearing until share prices rise another 15% to 20%.

Companies are still buying back their own shares in lots of 1 million or more. Indeed, Exxon Corp. bought back more than 95.9 million shares in a year and a half at a cost of more than $4.2 billion. "We did it in part to enhance earnings per share," says an Exxon spokesman.

This widespread restructuring of business reveals that the U.S. now has a plethora of maturing companies in maturing industries, says Vice Chairman James Balog of Drexel Burnham Lambert. Many corporations, he says, are buying back shares because cash flow is so large it is embarrassing.

Of the many industries experiencing a surplus of cash and a dearth of investment opportunities, the oil industry is the most conspicuous example. After the sharp oil price rises of the 1970s, the companies diversified into retailing and office systems, with almost uniformly bad results. Now, overloaded with petroleum reserves, refineries and gas stations, they lack opportunities for investing money profitably in their own businesses. "So," says Balog, "management decided the best thing to do was to buy back their shares."

Moreover, even though the market has climbed more than 600 points since

August 1982, mature industries still suffer from a disparity between asset value and market value. "The equity market today is priced like a closed-end fund. Most stocks are selling at less than the replacement cost of their physical assets," says Dean LeBaron of Boston's Batterymarch Financial Management. A natural response, LeBaron says, is to get rid of the discount—in effect, to go open-end—by buying back enough stock to raise the price to net asset value.

Professor Michael Jensen of the University of Rochester and Harvard Business School, in his recent study of the oil companies' restructuring, concludes that the industry had only one sound economic course—to shrink itself. Contrary to conventional wisdom, he argues, the industry had too high a level of reserves. And as profits soared with the price increases, those reserves had to be shrunk. Takeovers and buybacks, Jensen says, are one major way for the industry to retrench.

The immediate result of this activity, analysts agree, is to lift prices of the shares that remain in the market. "The short-run effect will be to support prices," says Goldman, Sachs' Einhorn.

But there is also a much less welcome impact. As companies are reducing equity, they are increasing their debt. The total outstanding debt of nonfinancial U.S. corporations shot up to $4.8 billion in the second quarter of this year—a 33% rise from the last quarter of 1982, according to Andrea Sandor, an analyst with Goldman, Sachs. And that is obviously a matter of concern. "As U.S. industry becomes more debt-laden, risks are growing for both companies and investors," observes M.D. ("Marty") Sass, president of M.D. Sass Investors Services. Adds Goldman, Sachs' Einhorn: "If we have a recession, or if the Federal Reserve Board stops being accommodating, servicing the outstanding corporate debt will be a real problem."

THE FIFTY BIGGEST DISAPPEARING ACTS

From year-end 1983 to June 30, 1985, these companies bought more than $84 billion in stock, wiping out 1.4 billion shares

COMPANY	TRANSACTION	SHARES (millions)	VALUE (millions)
Chevron	Acquires Gulf	165.0	$13,200
Texaco	Acquires Getty	79.1	10,100
Mobil	Acquires Superior	127.3	5,700
Royal Dutch	Acquires rest of Shell	94.8	5,400
R.J. Reynolds	Acquires Nabisco	57.9	4,900
Exxon	Repurchase	95.9	4,200
Nestle	Acquires Carnation	34.8	2,800
General Motors	Acquires EDS	72.0	2,500
Kiewit-Murdock	Acquires Continental Group	42.4	2,400
Coastal	Acquires Am. Natural Resources	37.9	2,400
Amoco	Repurchase	30.0	1,750
Teledyne	Repurchase	8.7	1,700
Dun & Bradstreet	Acquires A.C. Nielsen	2.8	1,570
Litton Ind.	Repurchase	11.4	1,300
Texaco	Repurchase	25.6	1,280
IBM	Acquires the rest of ROLM	23.7	1,240
Textron	Acquires Avco	27.6	1,170
Metromedia	Repurchase	27.6	1,130
Schlumberger	Acquires SEDCO	9.3	1,050
Texas Eastern	Acquires Petrolane	52.5	1,040
Private group	Acquires ARA Services	12.8	921
American Stores	Acquires Jewel Cos.	12.5	875
American Medical	Acquires Lifemark	21.3	863
Private group	Acquires Wometco (LBO)	17.7	810
LTV	Acquires Republic Steel	8.1	770
Gulf & Western	Acquires Prentice-Hall	9.9	705
Private group	Acquires Denny's (LBO)	15.5	663
Allied	Stock repurchase	15.0	661
Kellogg	Stock repurchase	15.0	563
IC Industries	Acquires Pneumo Corp.	4.9	560
Private group	Acquires Malone & Hyde (LBO)	15.4	548
Bank of Montreal	Acquires Harris Bankcorp	6.7	546
Private group	Acquires Parsons (LBO)	24.7	546
Philip Morris	Repurchase	8.0	542
General Dynamics	Repurchase	9.8	532
Private group	Acquires Harte-Hanks Communications (LBO)	19.1	526
Private group	Acquires Blue Bell	10.8	522
Mercantile Texas	Acquires Southwest Bancshares	.795	515
Private group	Acquires Dr Pepper	23.3	513
Hanson Trust	Acquires U.S. Industries	20.4	511
R.J. Reynolds	Repurchase	7.0	506
Sun	Repurchase	7.0	500
Dart & Kraft	Repurchase	7.2	497
Holiday Inns	Repurchase	10.0	493
Phillips Pet.	Repurchase	8.9	472
Carl Icahn	Acquires ACF Industries	8.3	468
Times Mirror	Repurchase	7.5	452
Ford Motor	Repurchase	10.0	427
FMC	Repurchase	8.0	404
G.D. Searle	Repurchase	7.5	388

Not included in the table are Atlantic Richfield's repurchase of 25 million shares for $1.1 billion; Chrysler's 25 million shares for $718 million; U.S. West's 12 million shares for $798 million; and Standard Oil of Ohio's 11 million shares for $522 million. Purchases announced by those companies are not yet completed.

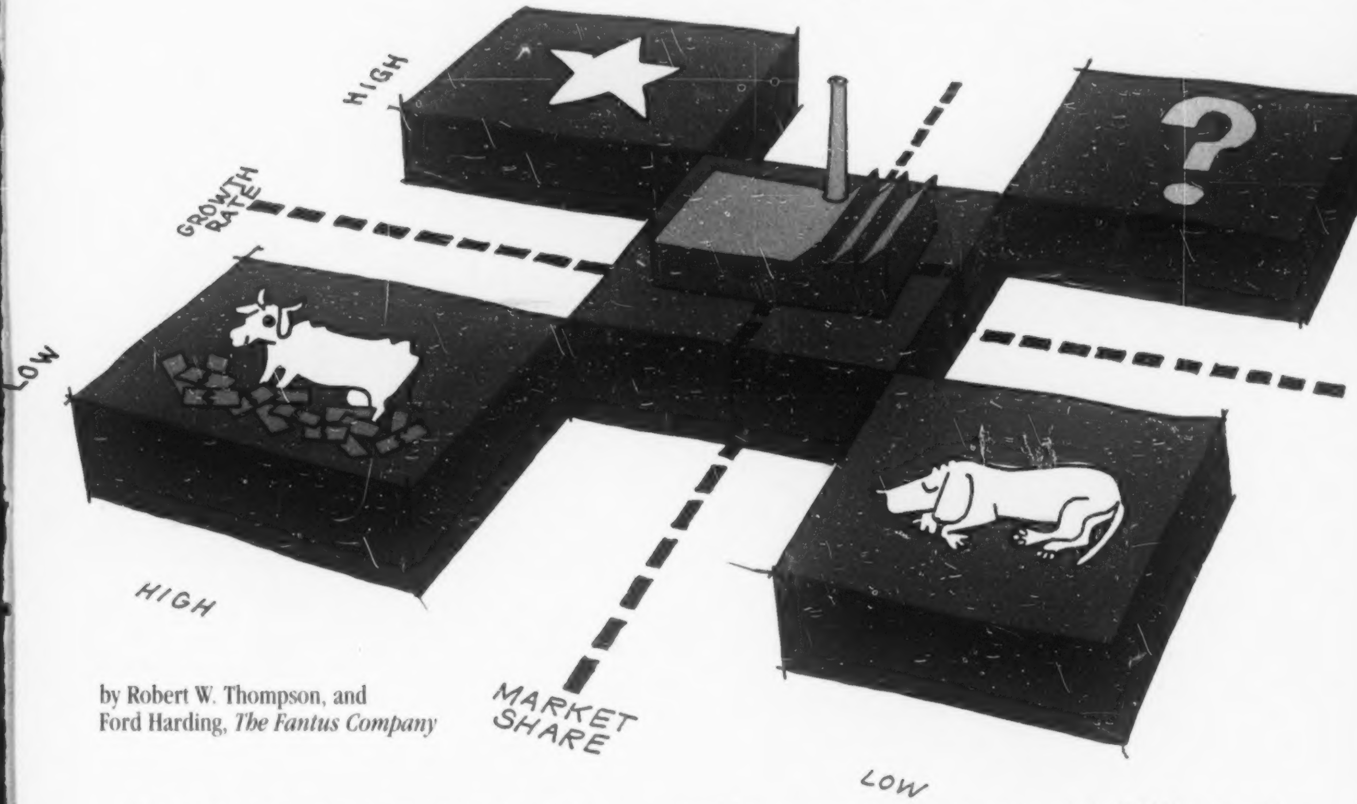
Sources: Laszlo Birinyi, Jr. of Salomon Brothers; Securities Data Co.; W.T. Grimm & Co. and DUN'S BUSINESS MONTH.

Significantly, the credit ratings of many corporate bonds have been downgraded recently. In 1980, half a dozen major oil companies had bonds rated AAA by Standard & Poor's, according to Lawrence Tween, an oil analyst for Kidder, Peabody & Co. Today, he says, only two, Exxon and Amoco, qualify for that rating.

Even though the stock market has been buoyed by the mergers and buybacks, the boon is only temporary, says Goldman, Sachs' Einhorn. In the longer run, the disappearance of equities means that a lot of big companies are simply borrowing trouble. ■

Product Life and Plant Location

How Four Stages in a Product's Life Cycle Influence Site Selection

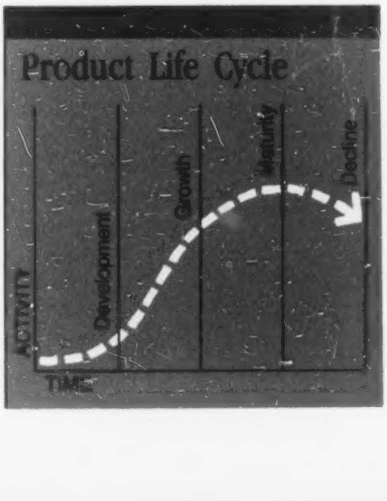


by Robert W. Thompson, and
Ford Harding, *The Fantus Company*

An old-line appliance manufacturer moves to a small town in the South; a maker of a hot consumer product moves quickly to spot plants in three separate regions of the country; a high-end electronics company builds a research lab on the outskirts of a major metropolitan area—each company marching to the beat of a different drummer in making its location choices, each selecting a strategy suitable for the present stage in the life cycle of its products.

As a product matures, a manufacturer faces different competitive pressures and sets different goals which often require a change of location. As shown at right, a traditional product life cycle graph breaks into four stages, beginning with development, passing through growth and maturity and finally ending in decline.

The needs of the *first stage* are well documented in the electronics industry, in which new product development is usually concentrated in a limited number of metropolitan areas. During this phase, a high level of engineering and development input is required. In fact, these expenses often exceed gross sales for the first several years. For this reason, production costs are often secondary and a relatively high-cost environment can be tolerated as long as the product is developed expeditiously.



It is no wonder, then, that in the electronics industry, this stage of product development tends to be heavily concentrated in areas with strong engineering resources. The companies themselves are aware that they are responding to this specific need at the sacrifice of higher production costs.

For example, one Fantus client, a manufacturer of sophisticated electronic test equipment, gave the following explanation of his need to build an expansion plant on high-cost land and in a high-cost labor market in California:

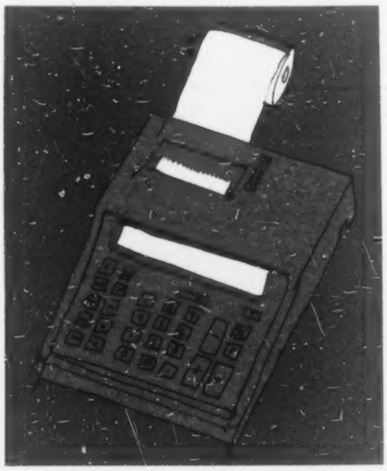
"The pace of development in our industry is so fast that we can't afford a misstep which would set us back by six months. That kind of mistake would effectively take us out of the market. If we go to a lower-cost location, it might take us six months-to-a-year to develop the

type of research base we have here in California; but by then, the Japanese would be so far out in front that we might as well give up. By building (our new facility) within an easy commute of this one, we can leverage our senior researchers over both operations. That way our development effort won't break stride."

The *growth stage* is characterized by a need for rapid expansion to meet the demand for product and gain a dominant market share, and the location of the added capacity is often critical to success. In some cases, for example, a rapid move to regionalized plants may be key. This is particularly true when freight costs and delivery times are critical elements in a company's competitive position.

An interesting example is found in the disposable diaper industry. This market, which has enjoyed rapid growth over the last several years, is dominated by two large, competitive firms. Originally, diapers were produced in existing paper or paper converting plants, many of which were either located as a result of resource availability, or in response to consumer marketing needs of the 1940s or 1950s.

Both major companies have acted quickly to add production capacity, with the key criteria now being transportation cost, and speed of service to major market centers. As a result, diapers are now produced today, not only in traditional paper producing areas such as Wisconsin, the coastal plains of the Carolinas, and the Mississippi River bottoms of Missouri, but also in California, Utah, Texas, and New England.



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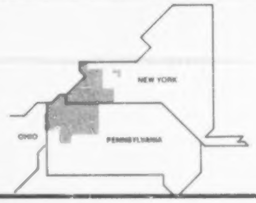

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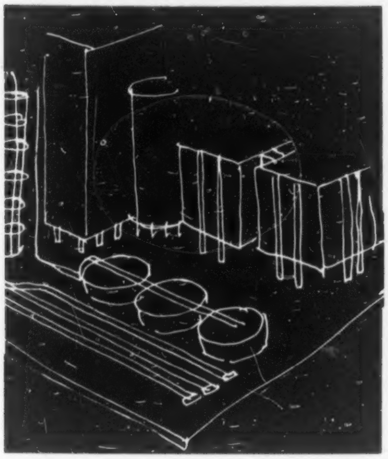
This strategy has furthered and maintained competition between the two dominant firms; it has also made entry into a geographic niche of the market much more difficult for possible new competitors.

In other cases, *manufacturing efficiency* is the key and may focus attention on a single, large, automated plant to serve the entire market. This has been the pattern in much of the consumer electronics market in which low product weight relative to value has meant that freight represents a relatively insignificant portion of the total product cost.



What many companies forget in their rush to add capacity during the *growth stage* is that the cost structures they are creating through the plant locations they select provide the very basis for success or failure when the product reaches maturity and competition focuses on cost.

During this phase, there is usually a shake-out of those companies which cannot produce quality goods at a competitive price. In some cases, companies are able to adjust to increased price sensitivity by relocating plants to low cost production areas.

Often, such efforts come too late as they did for several competitors in the chain saw industry when shake-out occurred during the early 1980s after a period of rapid expansion.

The stage of *product decline* can also be profitably extended through appropriate location choices. Unfortunately, once a period of decline is actually entered, funding becomes difficult to secure.

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Across Corporate America: Who's Building/Relocating/Expanding?

The listings below are a quick reference as to what companies and organizations are locating new plants and office facilities in the United States and other countries. This information was provided by the area development organizations listed.

STATE/TERRITORY	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOYS
Alabama	Dev. Office	Tuscaloosa Steel Corp	Mfg.	220
		Sikorsky Div. of United Tech.	Serv. Ctr.	200
	Birmingham Metro. Dev. Bd.	Benjamin Moore & Co.	Mfg.	60
		Alabama Power/ Chronar	Mfg.	100
	1st Alabama Bank, Mobile	Smith Services	Mfg.	55
		Rohr Industries	Mfg.	50
Arizona	Arizona Public Service Co.	Meridith/Burda	Mfg.	400
		Russell Coil	Mfg.	250
Arkansas	Greater Little Rock Chamber Of Commerce	Ace Hardware	Distrib. Ctr.	80
		Omega Tube & Conduit	Mfg.	65
California	Kaiser Devel. Co.	Compaq		100
	Dept. of Commerce	International Pectifier		700
		Raytheon Corp.	Mfg.	2,800
		Golden State Cheese	Mfg.	100
Colorado	Div. of Commerce and Dev.	Anheuser-Busch	Mfg.	600
		Sperry Corp.	Distrib. Ctr.	1,000
	Economic Dev. Council—Chamber of Commerce	Optical Storage Int'l	Mfg.	350
		Spacecom	R&D	100
Connecticut	Dept. of Eco. Dev.	Saab-Scania	Mfg.	200
		Bristol Myers	R&D	600
Delaware	Dev. Office	ADVO Systems	Offices	200
		MBANK, U.S.A.	Offices	250
Florida	Broward Eco. Dev. Board	Racal-Milgo	R&D	1,272
		Gannet Co.	Mfg.	106
	North Brevard Dev. Commission	Lockheed Space	Offices	180
		Electronic Systems Corp.	Mfg.	150
Georgia	Dept. of Ind. & trade	Fort Howard Paper	Mfg.	1,000
		Frito-Lay	Mfg.	300
	Savannah Port Authority	Harris Industries	Mfg.	45
Hawaii	Dept. of Planning and Eco. Dev.	Dobbs Airline Catering	Catering	42
		AT&T	Offices	42
Idaho	Dept. of Commerce	PAFCO Air Products & Chemicals	Mfg.	900
		EPID—Exxon Enterprises	Mfg.	200
Illinois	Dept. of Commerce and Community Affairs	A.O. Smith	Mfg.	100
		Hughes Optical Products	Mfg.	250

ment will properly position a company's facilities during earlier stages of the product cycle, giving the company a better chance for long term operation. Such planning, during the period when price pressure is beginning to be felt, can bring long term benefits.

The product life cycle graph shown on page 73 is, of course, highly simplified. The length of the cycle varies greatly from product to product as does the length of each individual stage. Most companies manufacture several products, each at a different stage of development and with a different life expectancy.

A number of attempts have been made to model this complex reality, among the better known being market share analyses which divide products into four categories—"stars," "question marks," "cash cows," and "dogs"—depending upon their market growth rate and market share (see chart on page 73).

The purpose of such an assessment of product is to determine where a company should allocate its resources among products.

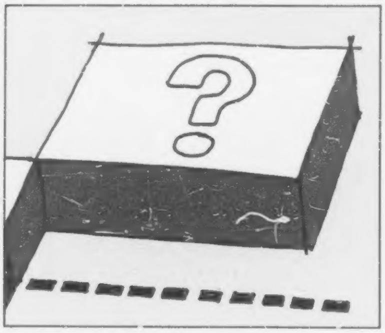
"Cash cows" are mature products which generate funds to be used in developing stars, the fast growing, high share products which will be the "cash cows" of the future.

"Question marks" must either be turned into "stars" or they will become "dogs," while "dogs" represent declining products with little potential for the

STATE/TERRITORY	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOY
Indiana	Dept. of Commerce	G.M.C. Bus & Truck Div.	Mfg.	3,000
		Zayre Corp.	Distrib. Ctr.	800
	Greater Fort Wayne Chamber	GE	Mfg.	250
	Ind. Northeast Dev.	Magavox	Mfg.	125
	Indianapolis Eco. Dev. Corp.	U.S. Customs	Offices	400
		Uniden	Mfg.	360
	Michigan City Area Chamber	The Anderson Co.	Mfg.	1,050
		Beacon Enterprises	Offices	75
	Northern Ind. Pub. Serv. Co.	Standard Alloys Corp.	Mfg.	100
Iowa	Dev. Commission	Rockwell Int'l	Mfg.	600
		Greyhound Corp.	Offices	900
Kansas	Dept. of Eco. Dev.	General Motors	Mfg.	5,000
		Valassis Color Graphics	Mfg.	175
Kentucky	Commerce Cabinet	Litton Industries	R&D	750
		OshKosh B'Gosh	Mfg.	450
Louisiana	Dept. of Commerce	Advanced Polymer Systems	Mfg.	50
		Delta Queen	Offices	80
Maine	Central Maine Power	D.J.M.	Distrib. Ctr.	20
		Northern Plastics	Mfg.	40
Maryland	Dept. of Eco. & Community Dev.	Grumman Corp.	Mfg.	1,000
		Otsuka Pharm. Co.	R&D	
	Anne Arundal County Office of Eco. Dev.	Cardinal Industries	Mfg.	60
		Northrop	R&D	65
	Harford County Office of Eco. Dev.	Pier I Imports	Distrib. Ctr.	100
		Independent Can Co.	Mfg.	120
	Montgomery County Office of Eco. Dev.	Prudential Home Mtg.	Hdqs.	100
		Nat'l Assoc. of Security Dealers	Offices	300
	Washington County Eco. Dev. Comm.	Citicorp Credit Services	Offices	750
		Gold Bond Ice Cream	Mfg.	260
Michigan	Dept. of Commerce, Bus. Dev. Div.	Steelcase	Mfg.	500
		Mazda Motors	Mfg.	4,000
	Greater Detroit Chamber	General Motors	Offices	8,000
	Jackson Alliance	Condex Heat Transfer Corp.	Mfg.	6
		Mid-American Products	Mfg.	56
	Oakland County Eco. Dev. Group	GMF Robotics	R&D	685
	Washtenaw Dev. Council	Electronic Data Systems	R&D	75
		Schneider Group	R&D	35
Minnesota	Dept. of Energy & Eco. Dev.	Diamond Match	Mfg.	283
		VTC Corp.	Mfg.	380
Missouri	Kansas City Area Eco. Dev. Council	Nat'l Office Machine Dealers Assoc.	Offices	70
		General Motors	Mfg.	5,000
Montana	Dept. of Commerce	NICOR Minerals	Proc.	100
		Eagle-Pitcher	Mfg.	30

company. They are strong candidates for divestiture. Plant location can also play an important part in developing product strategies on the basis of such a matrix.

A central concern highlighted by such an analysis is the need to shift "question marks" from a low market share in a high-growth industry to a high market share before they become "dogs."



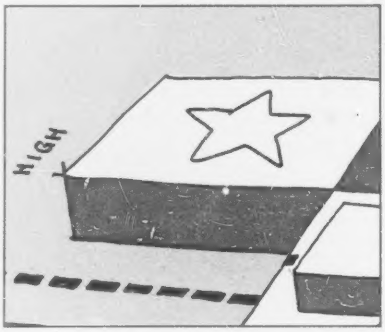
For a recent Fantus client, a change of location was critical for such a shift. The company, a manufacturer of technical products, was located in a smaller, relatively remote community. Management felt that share growth had been hampered by the environment of the company's facilities, which were not central to fast-paced changes of the industry it supplied.

To gain market share the company had to become more responsive to the needs of its customers as new opportunities appeared through technological change. This, in turn, meant that the employees ideally must be regularly exposed to product users as well as to those at the cutting edge of technological development and include these groups in marketing and product development efforts. To gain such a change in orientation, the company moved the product line to a major metropolitan area which was home for several universities with strong technical reputations and instituted programs to ensure close communications between the schools and its marketing and engineering staffs.

By involving recognized experts in product development efforts, the company sought to capture a reputation for technological excellence and market sensitivity not matched by its competitors.

Similarly, location can be used to enhance a product's performance within one quadrant of the matrix. A manufacturer of consumer appliances recently retained Fantus to relocate a portion of its product line to a low-cost location. The lower production costs are expected to enhance its already substantial market share, making it an even stronger generator of funds for use in developing products than it had been in the past.

In another case, Fantus analyses suggested that a new product line, clearly a "star," should be physically



'The secret of business is to know something nobody else knows.'

Aristotle Onassis

Simple, but true. Yet in the competitive world of keeping one step ahead, good management can account for only half the story.

To complete the picture, it's that extra dash of excellence that makes your company profile sharper than the rest. An excellence often inspired by the work environment.

That's why if you are serious about establishing the best possible platform for business progress, at all levels, take a good look at Glenrothes, the administrative capital of Fife.

Glenrothes has over thirty years experience of establishing an infrastructure that makes sense for business development. Computer-related manufacturers and the widest range of engineering and service companies – they all benefit from a continual association with the Glenrothes Development Corporation.

It is a link that provides comprehensive advice and planning for both prospective and established companies however large or small.

The result is the measure of confidence that industry continues to place in the future of Glenrothes as a sound industrial base.

Which all goes to indicate that this is one business partnership that hardly warrants silence as a sign of its success.

In fact it's one secret we are very happy not to keep to ourselves.

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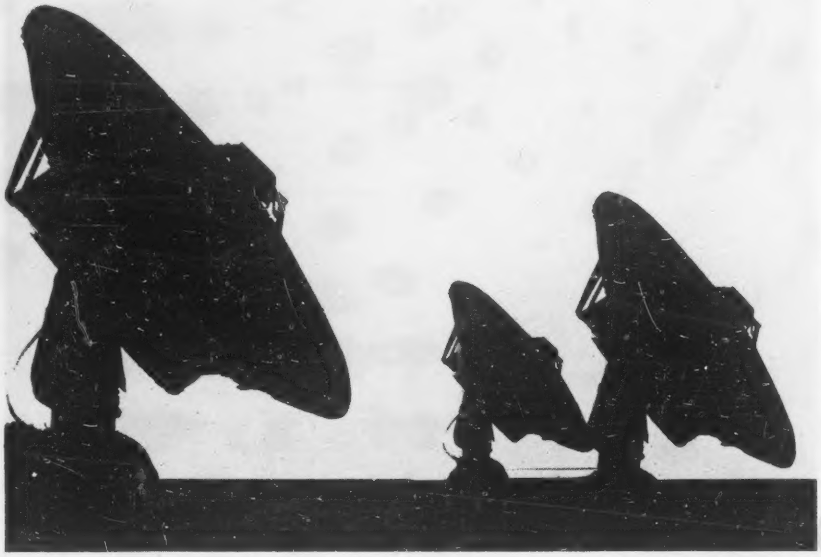

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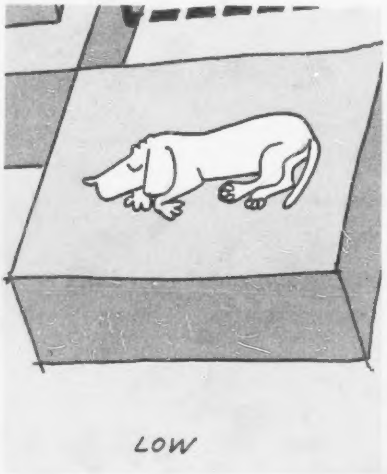
separated from the location in which it had been developed. This was needed to permit the product management to operate independently from the type of decision-making used at the existing location for the company's "cash cow" products. While the focus of the new product had to be development and growth, the managers of much larger and older product lines were largely concerned with cost reduction. Shared facilities and other resources for the two lines with distinctly different needs were impeding the development of the company's chief opportunity for the future.

The market share analysis shown in the chart on page 73 is also quite simplistic and suffers from severe limitations. In the words of one entrepreneur, who specializes in buying large corporations' "dogs" and turning them into strong revenue producers:



"A lot of products get classified as dogs simply because the management of the parent company doesn't know the business and doesn't know what else to do with them. With a little care it turns out that many of them aren't "dogs" at all, but "stars" that have been mistreated. Sometimes it's just that the parent's interests lie elsewhere, so they take a perfectly good company and call it "cash cow" and then suck every bit of capital they can out of it. After a few years of that, it's no wonder it begins to look like a "dog."

Fantus has helped this executive revive several companies by moving all or a portion of production to areas where costs are competitive with others

STATE/TERRITORY	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOY
Nebraska	Omaha Public Power Dist.	Ulell Int'l	Serv. Ctr.	200
		Circle Energies Inc.	Mfg.	60
	Dept. of Eco. Dev.	Timpte, Inc.	Mfg.	200
		Iams Co.	Mfg.	55
New Mexico	Albuquerque Eco. Dev. Inc.	Monolithic Memories	Mfg.	700
		Intel	Mfg.	1,000
New York	Dept. of Commerce	General Motors	Mfg.	4,500
		Westinghouse-Toshiba	Mfg.	800
	Elec. & Gas Corp.	IBM	Offices	2,000
		Huntingdon Research Ctr.	R&D	150
	National Fuel	Dupont	Mfg.	50
		Bush Industries	Mfg.	30
	Clinton County Area Dev. Corp.	Amer Sport Int'l	Distrib. Ctr.	16
		Eastern Precision Casting	Mfg.	13
	Erie County Ind. Dev. Agency	Steuben Foods	Mfg.	100
		Cybar Digital	Mfg.	43
	Greater Syracuse Chamber	Empire Airlines	Hdqs.	1,000
		Kodak	Mfg.	100
	Industrial Retention & Reloc. Corp. of N.Y.C.	Imperial Leather Furniture	Mfg.	22
		American Leather Specialties	Mfg.	70
North Carolina	Dept. of Commerce	American Express	Offices	800
		Kimberly-Clark	Mfg.	250
	Research Triangle Foundation	BASF Wyandotte	R&D	200
		Bell Northern Research	R&D	1,000
Ohio	Akron Reg. Dev. Bd.	Packard Electric	Mfg.	80
		Telxon Corp.	Hdqs.	400
	Mahoning Valley Eco. Dev. Corp.	Ronneburg Brewery	Mfg.	132
		North Star Steel	Mfg.	300
	Toledo Edison Co.	Ball Corp.	Mfg.	70
		Schreiber	Mfg.	70
Oklahoma	Eco. Dev. Dept.	Dow Jones	Mfg.	30
		[illegible] Color Press	Mfg.	100
Oregon	Eco. Dev. Depts.	NEC America	Mfg.	250
		Eagle-Picher	Prod.	40
Pennsylvania	Capital Region Eco. Dev. Corp.	Phoenix Contact	Mfg.	NA
		Black & Decker	Distrib.	35
	Penna SW Assoc.	Mine Safety Appliance	Hdqs.	70
		Dept. of Def. Software Engineering Inst.	R&D	200
	Phila. Ind. Dev. Corp.	City Wide Press	Mfg.	125
		Rooster	Mfg.	152
Puerto Rico	Eco. Dev. Assoc.	Knogo Caribe	Mfg.	300
		Western Digital Caribe	Mfg.	500
Rhode Island	Dept. of Eco. Dev.	Automobile Ins. Plans Service	Hdqs.	300
		Circon Tech	Mfg.	200
South Carolina	State Dev. Board	Engelhard Corp.	Mfg.	200
		McCrory Corp.	Distrib. Ctr.	300

in their industry. The moves, generally associated with a number of basic changes in the way the companies do business, have cut as much as 40% in manufacturing costs. It is little wonder that they begin to look more like "stars" after such a revival.

The back-to-basics philosophy that is sweeping many companies today is, in many ways, a reaction to the portfolio management theories of the past two decades. Rather than classify valuable operations as "dogs" or decide that they are irrevocably in the decline phase of the product life cycle, many managers are focusing on resuscitating products through:

- A deep concern for research and development, even for relatively mundane products not thought of as technically oriented.
- Heavy investment in new manufacturing technologies.
- An emphasis on participatory management.
- A market driven approach to business, which may mean niching, or a change in product design or in distribution systems.

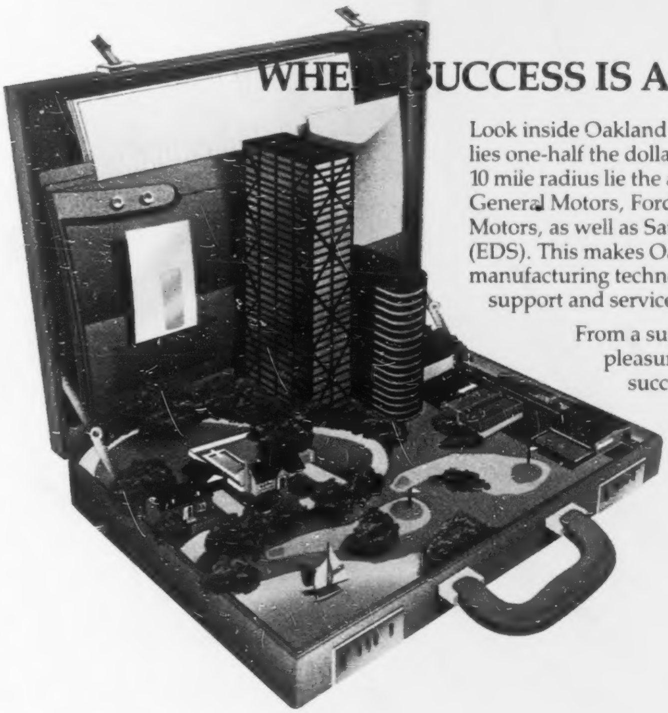
In one recent case, the new management of a company, formerly dominant in its business, faced declining market share due to the emergence of aggressive, low-cost competitors. Efforts to turn the situation around were frustrated by entrenched ways of doing business. For example, the chief designer was deeply committed to product standards that customers were no longer willing to pay for. His attitude

STATE/TERRITORY	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOYS
South Dakota	Dept. of State Dev.	FMC Corp.	Mfg.	100
		Merillat Industries	Mfg.	250
Tennessee	Eco. & Community Dev.	Saturn Corp.	Mfg.	6,000
		TENNOL	Mfg.	120
	Nashville Area Chamber	American Airlines	Pass. Svc.	1,350
Texas	Eco. Dev. Comm.	3M	Hdqs.	400
		Microelectronic and Computer Corp.	R&D	300
	Houston Lighting & Power	Acme Brick Co.	Mfg.	80
		EVAL Co. of America	Mfg.	60
	Midland	Independence Plaza	Offices	NA
		Deauville Mall	Retail Ctr.	NA
	Temple Eco. Dev. Comm.	Ralph Wilson Plastics Co.	Mfg.	200
		Glidden Coatings & Resins	Mfg.	30
Utah	Bus. & Eco. Dev. Dept.	Kimberly-Clark	Mfg.	350
		Stouffers Foods	Mfg.	1,200
	Weber Ind. Dev. Corp.	Western Coating	Mfg.	12
Vermont	Central Vt. Eco. Dev. Corp.	Ben and Jerry's	Mfg.	93
		Merrimaid Corp.	Mfg.	45

towards change was exemplified by his statement about a competitor which had gained a strong regional market position in but five years: "We make the best product, specially designed to a customer's needs, and they want to turn it into a commodity business."

Efforts to implement new manufacturing technologies were also frustrated. Aging officials of the union that represented production workers viewed the changes as threats, rather than as a way to preserve a large number of jobs that would otherwise be lost. They made it clear that they would fight any redefinition of jobs which would reduce the work force or alter established skill/compensation relationships. Yet, competitors were operating with both a lower wage structure and fewer manhours per unit produced.

Much of the management team had also adopted an adversary attitude, a fact that was certain to make difficult the adoption of the participatory management style required to implement a complex new manufacturing technology. Statements such as, "You can't teach them anything," and "I don't need a machine tender to tell me how to



WHE SUCCESS IS A WAY OF DOING BUSINESS

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OAKLAND
COUNTY MICHIGAN
WHERE SUCCESS IS A WAY OF LIFE

run this line," typified this view.

The new owners realized that, given the rapid inroads being made by competitors, they did not have the staying power to implement changes slowly. They moved quickly to establish a branch plant in a low-cost production area at which a commodity version of the product was manufactured with the latest manufacturing technologies.

Workers at all levels accepted the new product and technologies, having known nothing else, and the state even provided financial and instructional assistance to train them. The company's reputation as the quality producer, combined with a lower price, gave it a strong edge in the low-end portion of its market. Speciality products continued to be manufactured at the down-sized main plant.

Staff reductions permitted some selectivity towards those employees who would be most amenable to change, as well as providing a reminder that job loss was certain if all hands did not pitch in to help the company compete. Changes, while slower at this plant, became achievable.

This example emphasizes the cyclical nature of product life. Certainly, disappearing products, so often typified by the buggy whip industry, do exist. Disappearing companies exist in great number. But changing products and industries are more common, shifting from the production of one good to other related ones as times change. It is the companies that change with their industries that do not disappear. Because these changes affect the most basic needs of a company, it is not surprising that they often also require changes in the type of environment in which a company must operate. It is, therefore, not surprising that companies change locations during the life of a product.

Credits: Robert W. Thompson is senior vice president at The Fantus Company, a subsidiary of PHH that specializes in location-related problems. Mr. Thompson is a graduate of the University of Chicago. Charles F. Harding is vice president at Fantus and a graduate of Harvard and Northwestern University's J.L. Kellogg Graduate School of Management. Since 1919, Fantus has conducted over 6,000 assignments worldwide, helping plan facilities strategies and select locations for plants, office and warehouses.

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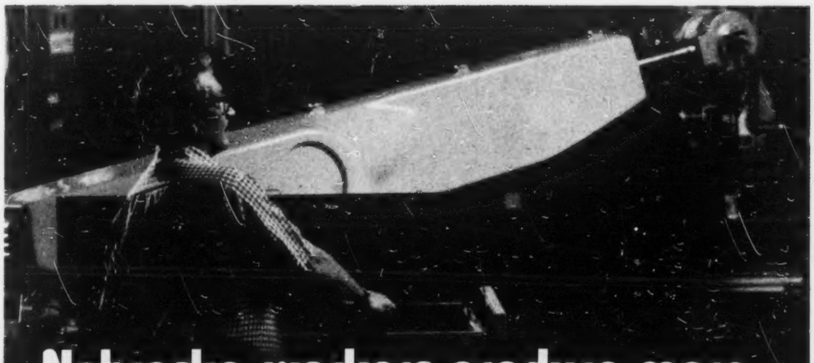

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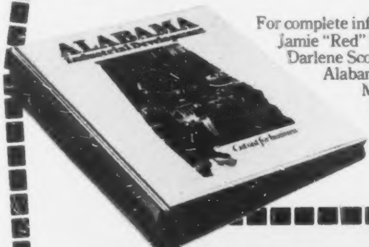
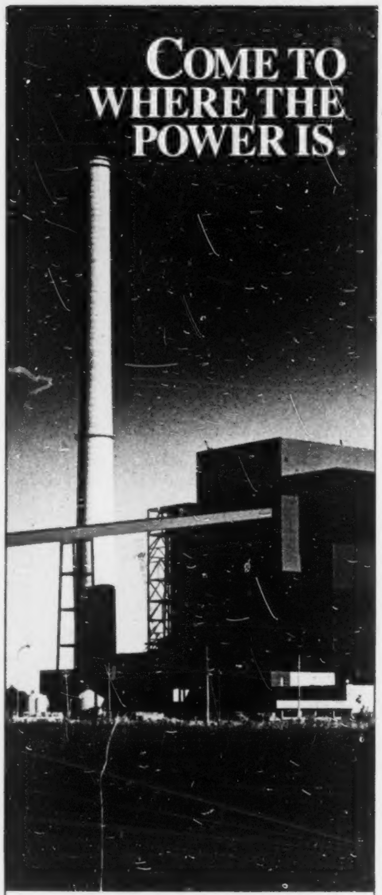


For complete information, call or write:
Jamie "Red" Etheredge, Director or
Darlene Scogin, Assistant Director
Alabama Development Office
Montgomery, AL 36130
Phone: (205) 263-0048
Telex: 592-471

ALABAMA

STATE/TERRITORY	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOYS
Virginia	Virginia Beach Dept. of Eco. Dev.	Advanced Technology	R&D	100
		Jonathan Corp.	Maint. Facility	500
	Fairfax County Eco. Dev. Auth.	TRW	R&D	3,500
		General Motors	Offices	2,500
	Norfolk Dept. of Dev.	ManTech Int'l	Offices	250
		Montgomery Ward	Offices	400
	Portsmouth Dept. of Eco. Dev.	Moon Engineering	Maint. Facility	250
		Princess Ribbon	Mfg.	75
	Richmond Met. Eco. Dev. Council	J.C. Penney	Offices	700
		IRS	Dist. Ctr.	400
West Virginia	Governor's Off. of Community & Ind. Dev.	Polan Industries	Mfg.	400
		AT&T	Offices	400
Wisconsin	Dept. of Dev.	Mercury Stainless	Mfg.	200
		Quad Graphics	Mfg.	375
Wyoming	Cheyenne Eco. Dev. & Stabilization Board	WYCON Chemical	Mfg.	50
		Intertronics	Mfg.	50

NON-U.S. COUNTRY/REGION	SITE BODY	LOCATING COMPANY	FACILITY TYPE	EMPLOYS
Canada	Montreal Eco. Dev. Office	Paramax Electronics	Mfg.	350
		Canada Plastic Containers	Mfg.	30
	Ontario, City of Guelph	Magna Int'l	Mfg.	100
		The Little Tykes Co.	Mfg.	60
	City of London, Ontario Eco. Dev. Div.	Newbold Tools	Mfg.	42
		Power Motion Mfg.	Mfg.	75
France	French Ind. Dev. Agency	Monsanto	Mfg.	15
		Cordis	Mfg.	120
Ireland	Industrial Dev. Auth.	Advanced Micro Devices	Mfg.	1,000
		Microsoft	Mfg.	100
United Kingdom	Devon & Cornwall Dev. Bur.	Toshiba Consumer Products	Mfg.	175
		Pall Industrial Hydraulics	Mfg.	250
	Industrial Dev. Bd. for Northern Ireland	Irlandus Circuits	Mfg.	100
		IWAX Ltd.	Mfg.	46
	Inward, Northwest England	Medex	Mfg.	20
		Sparkomatic	Distrib. Ctr.	65
	Netherlands Ind. Comm.	Centocor—Europe B.V.	Mfg.	25
		MOGEN Int'l B.V.	R&D	25
	North of England Dev. Council	Nissan	Mfg.	2,700
		European Microwaves	Mfg.	120
	Scottish Dev. Agency	Damon Biotech	Mfg.	300
		Digital Equipment Corp.	Mfg.	400
	Winvest: Wales Investment Loc.	Shape Technology	Mfg.	261
		Align-Rite Corp.	Mfg.	152
	Yorkshire & Humberside Dev. Assoc.	I.G. Technology	Mfg.	18
		SCM Chemicals	Mfg.	670



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POSITION	INDUSTRY	LOCATION	SALARY
Chief Executive Officer			
	High Technology	West	$400,000
	Insurance	West	350,000
	Real Estate	West	350,000
	High Technology	Midwest	340,000
	High Technology	East	340,000
	Electronics	Midwest	340,000
	Leisure	East	325,000
	Health Care	West	320,000
	Biotechnology	Northeast	300,000
	High Technology	East	300,000
	Manufacturing	East	270,000
	Real Estate	Southeast	270,000
	Leisure	East	240,000
	Electronics	West	230,000
	Energy	Southwest	230,000
	Electronics	Southwest	230,000
	Real Estate	Midwest	220,000
	Restaurant	Southwest	200,000
	Energy	Midwest	200,000
	Hospitality	West	200,000
	Machine Tools	Midwest	200,000
	Health Care	West	200,000
	Energy	Southwest	200,000
	Mining	Southwest	200,000
	Advertising	East	200,000
	High Technology	Northeast	200,000
	High Technology	West	180,000
	Communications	West	180,000
	Health Care	West	160,000
	Printing-Publishing	West	160,000
	Conglomerate	West	150,000
	Health Care	West	150,000
	Transportation	West	140,000
	Distribution	Southwest	140,000
	Communications	West	140,000
	Electronics	East	140,000
	High Technology	West	140,000
	Business Services	West	130,000
	Communications	West	130,000
	Consumer Products	West	120,000
	Chemical	West	120,000
	Health Care	West	120,000
	Electronics	Midwest	120,000
	High Technology	Midwest	120,000
	Industrial Products	South	112,000
	Business Services	East	110,000
	Business Services	West	110,000
	Wire & Cable	West	100,000
	Communications	Southwest	100,000
	Health Care	East	100,000
	Machinery	West	100,000
	Holding Co.	West	100,000
	Transportation	Midwest	100,000
	Motion Pictures	West	85,000
	Transportation	West	80,000
Chairman			
	Health Care	Southwest	$175,000
	Health Care	East	150,000
	Health Care	Southeast	130,000
	Health Care	Southwest	125,000
	Health Care	Southwest	115,000
President			
	High Technology	Southwest	$200,000
	Retail	Southwest	300,000
	Consumer Products	East	300,000
	Apparel	East	270,000
	Energy	West	270,000
COO	Electronics	East	270,000
COO	High Technology	East	270,000
COO	Retail	East	260,000
	Real Estate	Southwest	250,000
	Metals	Northeast	250,000
	Chemical	East	250,000
	Engineering	East	250,000
	Food	Midwest	240,000
	Cosmetics	East	225,000
	Electronics	West	225,000
	Health Care	West	200,000
	High Technology	East	200,000
	Machinery	East	200,000
	Manufacturing	East	200,000
	Real Estate	West	200,000
	Business Services	East	200,000
	Food	East	200,000
	Industrial Products	Southwest	200,000
COO	Construction	Southeast	200,000
COO	Computer Products	West	200,000
	Food	Midwest	200,000
	Food	South	200,000
	Manufacturing	West	200,000
	Insurance	Northeast	200,000
	Consumer Products	Northeast	200,000
	Television Network	Midwest	200,000
COO	Manufacturing	East	200,000
COO	Apparel	South	200,000
	Metal Products	Midwest	195,000
	Electronics	East	190,000
	Consumer Products	Southeast	188,000
COO	Computer Software	East	188,000
COO	Metal Products	West	180,000
	Manufacturing	Midwest	175,000
	Telecommunications	West	175,000
	Shipping	Northeast	160,000
	Manufacturing	Southeast	150,000
	Food	Southeast	150,000
COO	Industrial Products	Midwest	150,000

POSITION	INDUSTRY	LOCATION	SALARY
	Transportation	Northeast	150,000
	Metals	Northeast	150,000
	Cosmetics	East	150,000
	Insurance	East	150,000
	Electronics	West	150,000
	Pharmaceutical	Midwest	150,000
	Oil	Southwest	150,000
	Real Estate	Southwest	150,000
	Utility	Midwest	150,000
	Manufacturing	Midwest	150,000
	Textile	East	150,000
COO	Real Estate	West	150,000
COO	Electronics	West	150,000
	Construction	East	150,000
	High Technology	Midwest	150,000
	High Technology	Northeast	150,000
	Machinery	Southeast	145,000
	Food	West	140,000
	Manufacturing	East	140,000
COO	Electronics	East	140,000
	Electronics	West	140,000
	Aerospace	West	140,000
COO	Manufacturing	West	140,000
	Apparel	Northeast	135,000
	Consumer Products	East	130,000
	Chemical	Midwest	125,000
	Machinery	Northeast	125,000
	Electronics	West	125,000
	Electronics	East	125,000
COO	Manufacturing	Midwest	125,000
	Manufacturing	Midwest	120,000
	Electronics	Midwest	120,000
	Data Management	East	120,000
	Manufacturing	East	120,000
	Electronics	Southwest	120,000
	Business Services	East	120,000
	Electronics	East	120,000
	Consumer Products	West	120,000
	Conglomerate	Northeast	120,000
	Metals	Northeast	120,000
COO	Textile	Northeast	110,000
	Business Services	Midwest	100,000
	Food Processing	Midwest	100,000
	Education	West	100,000
	Real Estate	Southwest	100,000
COO	Machine Tools	Southeast	100,000
COO	Wholesale	West	100,000
	Electronics	East	100,000
	Health Care	Midwest	100,000
	Manufacturing	East	100,000
	Electronics	West	100,000
	Printing	Southeast	100,000
	Holding Co.	Northeast	100,000
	Communications	West	95,000
U.S. Operations	Distribution	West	95,000
	Optics	West	90,000
	Telecommunications	Midwest	80,000
	Health Care	West	80,000
	Publishing	East	75,000
COO	Health Care	Southwest	75,000
COO	Building Products	Southwest	75,000

Chief Operating Officer

POSITION	INDUSTRY	LOCATION	SALARY
	Hardware	Midwest	$400,000
	Retail	Midwest	270,000
	Real Estate	East	140,000
	Health Care	West	120,000
	Real Estate	Southwest	90,000
	Hotel	Southwest	90,000
	Leisure Services	Southwest	75,000

Executive Vice President

POSITION	INDUSTRY	LOCATION	SALARY
	Aerospace/Defense	Midwest	250,000
	Real Estate	West	250,000
	Consumer Products	Midwest	250,000
	Manufacturing	West	200,000
	Business Services	Midwest	200,000
	Hospitality	East	200,000
	Retailing	East	185,000
	Printing-Publishing	Midwest	160,000
	Conglomerate	West	160,000
Operations	Automotive	Midwest	150,000
COO	Consumer Products	East	150,000
	Electronics	East	140,000
	Hospitality	East	140,000
Operations	Hospitality	Southwest	140,000
	Real Estate	East	140,000
	Electronics	West	140,000
	Real Estate	West	140,000
	Retail	West	140,000
	Real Estate	Southeast	120,000
	Health Care	East	120,000
	Insurance	East	120,000
	Electronics	Midwest	115,000
	Hospitality	West	100,000
	Electronics	West	100,000

Group Vice President

POSITION	INDUSTRY	LOCATION	SALARY
	Transportation	Midwest	150,000
	Retail	Midwest	140,000
	Conglomerate	South	100,000
COO	Retail	East	75,000

Senior Vice President

POSITION	INDUSTRY	LOCATION	SALARY
	Hotel	Midwest	$250,000
	Manufacturing	West	200,000
	Conglomerate	West	200,000
	Hospitality	West	150,000
	Real Estate	West	140,000
	Real Estate	Southwest	140,000
Finance	Health Care	West	110,000
	Insurance	Midwest	100,000
	Leisure Services	Midwest	90,000
COO	Retail	East	75,000

Vice President

POSITION	INDUSTRY	LOCATION	SALARY
	Electronics	Midwest	$175,000
Manufacturing	Electronics	Northeast	150,000
	Cosmetics	East	150,000
	Construction	Northeast	150,000
	Real Estate	West	140,000
	Manufacturing	Midwest	125,000
	Health Care	West	120,000
	Real Estate	West	110,000
U.S. Eastern	Energy	East	110,000
	Real Estate	Southwest	110,000
	Real Estate	West	110,000
	Real Estate	West	100,000

POSITION	INDUSTRY	LOCATION	SALARY
	Hospitality	Southeast	100,000
	Transportation	Midwest	100,000
	Food Processing	Midwest	100,000
	Insurance	Southeast	100,000
Corporate	Leather Products	Midwest	100,000
	Electronics	West	100,000
	Transportation	East	95,000
	Leisure	East	95,000
	Industrial Products	Northeast	90,000
	Consumer Products	Midwest	90,000
	Health Care	Midwest	90,000
	Education	West	90,000
International	Chemical	Northeast	90,000
Customer Service	Cable TV	East	90,000
	Construction	Northeast	85,000
	Insurance	Southwest	80,000
	Business Services	Midwest	80,000
	Industrial Products	Norhteast	75,000
General Manager			
Vice President	Consumer Products	East	$350,000
	Electronics	West	200,000
	Business Services	West	200,000
Vice President	Textile	Northeast	150,000
	Food	Southwest	140,000
Deputy	Energy	West	120,000
	Health Care	Southeast	118,000
	Energy	West	110,000
	Real Estate	Southeast	110,000
	Hospitality	West	110,000
Vice President	Food	Midwest	106,000
Vice President	Electronics	Midwest	100,000
	Shipbuilding	Midwest	100,000
	Metals	Midwest	100,000
COO/VP	Food	West	100,000
Vice President	Electrical Equipment	East	100,000
	Leisure	Midwest	85,000
Vice President	Metals	Northeast	85,000
Vice President	Repair Service	Southwest	84,000
Vice President	Industrial Products	Midwest	80,000
	Industrial Products	Midwest	75,000
Director			
Operations	Business Services	West	$200,000
Managing	Holding Co.	Northeast	200,000
Property Man.	Hotel	Midwest	150,000
Development	Hotel	Midwest	150,000
Executive	Health Care	East	120,000
Operations	Real Estate	West	115,000
Operations	Hospitality	West	115,000
Executive	Education	West	110,000
Development	Health Care	West	110,000
Executive	Health Care	West	110,000
Administration	Health Care	West	100,000
	Education	West	100,000
Executive	Health Care	East	100,000
Executive	Leisure	East	100,000
	Industrial Products	Northeast	90,000
Assistant Regional	Health Care	Midwest	90,000
	Real Estate	East	80,000
	Real Estate	West	80,000
Development	Health Care	West	75,000

POSITION	INDUSTRY	LOCATION	SALARY
Manager			
Project	Real Estate	Southwest	$200,000
Regional	Real Estate	West	150,000
Development	Real Estate	West	140,000
Project	Real Estate	West	95,000
	Food Services	Southeast	90,000
Asst. Development	Real Estate	West	90,000
Property	Real Estate	West	90,000
Property	Real Estate	Midwest	80,000
	Energy	West	80,000
Far East	Computer	International	80,000

DIVISION

President			
	Food	Northeast	$250,000
Development	Real Estate	Southwest	200,000
	Manufacturing	Southwest	160,000
	Electronics	Southwest	160,000
	Electrical Machinery	Midwest	155,000
	Metal Products	Midwest	131,000
	Consumer Products	Midwest	125,000
	Real Estate	West	110,000
	Stone/Clay	Northeast	100,000

FINANCE

Chief Executive Officer			
	Financial Services	West	$300,000
	Banking	Midwest	270,000
	Banking	Midwest	225,000
	Banking	East	220,000
	Insurance	Southeast	150,000
	Financial Services	West	140,000
	Financial Services	West	120,000
	Financial Services	West	110,000
President			
	Banking	West	$400,000
	Banking	Southeast	300,000
COO	Finance	Northwest	250,000
COO	Banking	East	200,000
	Financial Services	West	200,000
COO	Banking	East	175,000
	Financial Services	East	150,000
	Financial Services	West	140,000
	Banking	Southwest	110,000
COO	Banking	Midwest	75,000
Partner			
Tax	Business Services	West	$200,000
Tax	Accounting	East	150,000
Tax	Accounting	East	125,000
Bankruptcy	Accounting	Midwest	125,000
Managing Director			
	Financial Services	Northeast	$200,000
	Banking	East	200,000
Chief Financial Officer			
	Insurance	Northeast	$300,000
Senior VP	Manufacturing	East	250,000
	Aerospace/Defense	Midwest	250,000
Senior VP	Health Care	Southeast	203,000

POSITION	INDUSTRY	LOCATION	SALARY
	Real Estate	East	200,000
	Retail	Midwest	200,000
Senior VP	Paper & Packaging	Midwest	200,000
	Banking	Midwest	170,000
	Advertising	East	150,000
	Financial Services	East	150,000
	Aerospace	West	150,000
	Banking	Northeast	150,000
	Pharmaceutical	Southwest	150,000
	Health Care	Northeast	150,000
Senior VP	Manufacturing	West	150,000
Vice President	Financial Services	Midwest	150,000
	Insurance/Securities	Northeast	150,000
	Real Estate	East	140,000
	Banking	Midwest	140,000
Vice President	Food	Southwest	140,000
Senior VP	Food Service	South	130,000
Senior VP	Hospitality	West	125,000
Senior VP	Apparel	East	125,000
	Health Care	Midwest	120,000
	Leisure	Midwest	120,000
Vice President	Health Care	Southeast	114,000
	Food	West	110,000
Vice President	Real Estate	West	110,000
Vice President	Utility	South	110,000
Vice President	Engineering	South	110,000
	Electronics	West	100,000
Executive VP	Health Care	Southeast	100,000
Vice President	Manufacturing	Southwest	100,000
	Real Estate	Northeast	100,000
	Health Care	East	90,000
	Banking	East	90,000
	Primary Metal	Midwest	90,000
Senior VP	Insurance	Northeast	90,000
	Real Estate	Midwest	90,000
	Retail	Southwest	90,000
	Health Care	West	80,000
Vice President	Mining	East	80,000
	Heavy Machinery	Midwest	75,000
	Banking	Southwest	75,000
Chief Operating Officer			
	Financial Services	Midwest	$170,000
Executive Vice President			
	Financial Services	West	$340,000
	Financial Services	East	300,000
Finance	Advertising	Midwest	230,000
Finance	High Technology	East	220,000
Finance	Health Care	East	220,000
	Financial Services	East	200,000
Finance	Retail	Midwest	200,000
Finance	Transportation	East	200,000
Finance	Manufacturing	East	200,000
	Investment Banking	East	160,000
	Banking	East	150,000
	Financial Services	East	140,000
	Financial Services	Southwest	140,000
	Banking	East	140,000
	Insurance	East	140,000
Asset Manager	Banking	East	125,000
	Health Care	West	110,000
	Financial Services	Southwest	100,000
	Banking	East	80,000

POSITION	INDUSTRY	LOCATION	SALARY
Senior Vice President			
Finance	Transportation	West	$320,000
Finance	Electronics	Midwest	260,000
	Financial Services	West	250,000
Syndication	Banking	Southwest	230,000
	Financial Services	East	200,000
Research	Investment	Northeast	200,000
	Banking	West	160,000
CIO	Financial Services	East	150,000
	Banking	East	140,000
Compensation	Financial Services	West	125,000
Strategy	Financial Services	East	125,000
	Banking	Southwest	120,000
	Banking	East	110,000
Tax	Financial Services	Northeast	110,000
	Banking	Southwest	100,000
	Credit	West	100,000
Vice President			
Finance	Electronics	West	$400,000
	Investment Banking	Northeast	250,000
	Financial Services	West	225,000
Finance	Consumer Products	West	200,000
	Holding Co.	Northeast	200,000
	Financial Services	West	200,000
Finance	High Technology	West	170,000
Finance	Banking	West	170,000
Finance	Real Estate	Midwest	160,000
	Banking	East	150,000
Portfolio Mgr.	Investment Banking	Northeast	150,000
Pension Trust	Banking	East	150,000
Corporate Finance	Investment Banking	East	150,000
	Investment Banking	Midwest	150,000
Finance	Electronics	East	140,000
Finance	Banking	West	140,000
	Financial Services	West	140,000
	Financial Services	East	140,000
Leasing	Banking	East	140,000
Regional Manager	Banking	Midwest	135,000
	Banking	Northeast	125,000
	Investment Banking	East	125,000
Finance	Food	Midwest	125,000
	Banking	Midwest	120,000
Finance/Adm.	High Technology	West	120,000
Finance	Financial Services	East	120,000
Financial	Apparel	East	110,000
Actuary	Insurance	West	110,000
Finance	Manufacturing	East	110,000
Finance	Transportation	West	110,000
	Insurance	East	110,000
	Financial Services	West	100,000
	Banking	Midwest	100,000
	Financial Services	Southwest	100,000
	Banking	East	100,000
	Banking	West	100,000
	Banking	Northeast	100,000
Finance	Business Services	West	100,000
Finance	Apparel	East	100,000
Private Banking	Banking	East	100,000
Tax	Manufacturing	East	100,000
Corporate	Financial Services	Northeast	100,000
Corporate	Banking	East	100,000
Finance	Food	West	100,000
Finance	Construction	East	100,000

POSITION	INDUSTRY	LOCATION	SALARY
	Banking	East	95,000
	Banking	East	90,000
	Financial Services	East	90,000
Finance	Consumer Products	Midwest	90,000
Finance	Retail	East	90,000
Auditor	Banking	Southwest	90,000
Finance	Consumer Products	East	90,000
	Banking	Midwest	90,000
Finance	Biotechnology	Midwest	90,000
Credit Director	Banking	West	85,000
Acct./Financial	Banking	Northeast	85,000
	Banking	East	80,000
	Banking	Midwest	80,000
	Financial Services	West	80,000
Finance	Manufacturing	East	80,000
Finance	Consumer Products	East	80,000
Finance/Adm.	Banking	East	80,000
Finance	Metals	Northeast	80,000
Finance	Wholesale	Midwest	80,000
Credit	Banking	Midwest	80,000
	Insurance	Northeast	80,000
Loans/Accounting	Banking	Northeast	80,000
Asst. Accounting	Mining	Latin America	78,000
Group Head	Banking	East	75,000
Production	Financial Services	Midwest	75,000
Finance	Steel	West	75,000

Controller

	Transportation	West	$200,000
Senior VP	Mining	East	170,000
	Trading Company	Europe	140,000
	Business Services	East	140,000
	Steel	Midwest	133,000
Vice President	Manufacturing	West	125,000
Operations	Electronics	Midwest	110,000
Operations	Transportation	Midwest	110,000
	Health Care	West	100,000
Group	Aerospace	East	100,000
Vice President	Financial Services	East	100,000
	Pharmaceutical	Midwest	90,000
	Grocery	South	90,000
	Electronics	East	90,000
	Jewelry	East	85,000
	Financial Services	West	80,000
	Manufacturing	West	80,000
	Machinery	Midwest	80,000
	Financial Services	Midwest	80,000
	High Technology	Midwest	80,000
	Manufacturing	Midwest	80,000
	Advertising	Northeast	75,000

Treasurer

Vice President	Manufacturing	Midwest	$120,000
	Machinery	Northeast	100,000
Vice President	Manufacturing	East	95,000
Assistant	Health Care	West	90,000
	Banking	Northeast	87,000
	Machinery	South	80,000
	Financial Services	Midwest	75,000

Director

POSITION	INDUSTRY	LOCATION	SALARY
Corporate Taxes	High Technology	Midwest	200,000
Corporate Finance	Banking	East	150,000
Product Devel.	Investment Banking	International	150,000
Finance	Financial Services	West	140,000
Corporate Finance	Financial Services	East	110,000
Finance	Hospitality	East	100,000
	Banking	Northeast	100,000
Asst. Regional	Financial Services	Midwest	90,000
Underwriting	Insurance	Midwest	90,000
Risk Man.	Insurance	Southwest	90,000
Risk Man.	Mining	Southwest	90,000
Corporate	Financial Services	Southwest	90,000
Finance	Conglomerate	West	90,000
Financial Services	Distribution	Southwest	80,000
Audit	Credit	Northeast	80,000
Finance	Financial Services	Northeast	75,000
Financial Analysis	Office Supplies	West	75,000
Corporate	Banking	Northeast	75,000

Manager

Financial Services	Energy	East	$200,000
Sr. Development	Financial Services	Southwest	150,000
Regional	Banking	West	150,000
	Banking	International	150,000
Sr. Development	Financial Services	Southwest	140,000
Intl. Audit	Hospitality	East	120,000
Taxes	Mining	East	110,000
Intl. Finance	Chemical	East	90,000
Relationship	Banking	Midwest	90,000
Accounting	Business Services	East	85,000
Taxes	Electronics	Southwest	75,000
	Banking	Southwest	75,000

MANUFACTURING

Executive Vice President

	Plastic Products	East	$140,000
	Consumer Products	East	140,000

Vice President

	Consumer Products	Southwest	180,000
	Industrial Products	Midwest	150,000
Operations	Manufacturing	Midwest	145,000
	Machinery	West	143,000
Operations	Metal Products	East	140,000
	Electronics	West	125,000
Materials	Defense	Southwest	125,000
	Health Care	West	125,000
	Aerospace	Southwest	120,000
	Metal Products	Midwest	110,000
	Conglomerate	West	110,000
Operations	Sportswear	West	100,000
Manufacturing	Electronics	Northeast	100,000
Production	Services	East	90,000
Operations	Electronics	East	90,000
	Machinery	Northeast	90,000
Operations	Fasteners	Midwest	90,000
Materiel	Computer	West	90,000
	Instruments	Northeast	87,000
	Food	Northeast	85,000
	Rubber	West	85,000
	High Technology	East	80,000
	Consumer Products	East	80,000
	Construction	Northeast	75,000
	Metals	West	75,000
Operations	Industrial Products	Northeast	75,000

POSITION	INDUSTRY	LOCATION	SALARY
Director			
Quality Control	Machinery	East	$120,000
Product Safety	Consumer Products	East	110,000
	Computer Peripherals	West	83,000
	Fasteners	Midwest	80,000
	Computer	West	75,000
Quality Assurance	Electronics	Northeast	75,000
Manager			
Inventory Control	Energy	Southwest	80,000
Construction	Manufacturing	East	80,000

MARKETING

POSITION	INDUSTRY	LOCATION	SALARY
Executive Vice President			
	Electronics	Southwest	$200,000
	Retail	East	200,000
	Consumer Products	Midwest	196,000
	Transportation	Midwest	190,000
	Food Service	Southeast	169,000
	Aerospace	Southwest	160,000
	Food	East	150,000
	Chemical	East	150,000
	Consumer Products	East	150,000
	Food	Midwest	150,000
Merchandising	Retail	Midwest	150,000
Intl. Development	Financial Services	Northeast	150,000
	Manufacturing	Southwest	150,000
	Apparel	East	140,000
	Real Estate	East	140,000
	Electronics	West	140,000
	High Technology	West	140,000
	Electronics	East	120,000
	High Technology	East	120,000
	Electronics	Midwest	120,000
	Consumer Products	Midwest	120,000
Marketing	Electronics	East	120,000
Marketing	High Technology	East	120,000
Intl. Development	Financial Services	Northeast	120,000
Senior Vice President			
	Transportation	West	$200,000
	Credit	West	200,000
	Real Estate	West	150,000
	Railroad	Southwest	150,000
	Hospitality	Southwest	140,000
	Leisure	Southwest	140,000
	Banking	Southwest	120,000
Retail	Banking	East	120,000
	Paper	Northeast	110,000
	Telecommunications	West	105,000
	Financial Services	Southeast	100,000
	Fianacial Services	Midwest	100,000
	Retail	West	85,000
	Health Care	West	75,000
Vice President			
	Credit	West	$300,000
	Food	Northeast	250,000
International	Instruments	East	184,000
	Computer Peripherals	Midwest	167,000
	Food Service	East	160,000
Development	Consumer Products	East	150,000
	Computer	Northeast	150,000
	Instruments	Midwest	144,000
Regional	Communications	East	140,000
	Grocery	South	140,000
	Food	Northeast	140,000
Market Research	Computer	Midwest	135,000
Brand Management	Consumer Products	Midwest	131,000
Market Research	Financial Services	Southeast	128,000
& Advertising	Food Service	Midwest	127,000
	Capital Equipment	Midwest	125,000
	Energy	Southwest	125,000
	Communications	Midwest	125,000
	Communications	Midwest	120,000
	Food	Southwest	120,000
	Energy	Southwest	110,000
	Financial Services	East	110,000
	Electronics	East	110,000
	Consumer Products	Midwest	110,000
	Textile	South	110,000
	Utility	Southeast	110,000
	Financial Services	Southeast	108,000
	Pharmaceutical	Midwest	100,000
	Manufacturing	West	100,000
	Pharmaceutical	East	100,000
	Transportation	East	100,000
	Automotive	Midwest	100,000
	Consumer Products	Northeast	100,000
Brand Manager	Consumer Products	Midwest	93,000
	Health Care	Southwest	90,000
	High Technology	West	90,000
	Metals	Southeast	90,000
	Health Care	Midwest	90,000
	Industrial Products	Southwest	90,000
	Hotel	Northeast	90,000
	Food	Midwest	85,000
	Construction	Northeast	85,000
	Financial Services	Midwest	80,000
	Communications	West	80,000
	Electronics	West	80,000
	Real Estate	Southwest	80,000
	Health Care	Southwest	80,000
	Chemical	Southeast	80,000
	Industrial Products	Southwest	80,000
	Capital Equipment	Midwest	78,000
	Industrial Products	Midwest	75,000
	Machinery	South	75,000
	Metals	Northeast	75,000
Director			
Product Development	Metal Products	East	$140,000
Product Development	Manufacturing	East	140,000
	Consumer Products	Southeast	125,000
& Feasibility	Hotel	Midwest	125,000
New Products	Food Services	East	111,000
	Electronics	East	110,000
Regional	Communications	East	110,000
	Health Care	Southwest	110,000
	Service	Midwest	110,000
	Food	West	100,000
Product Services	High Technology	East	100,000
	Printing/Publishing	Midwest	100,000
	Consumer Products	Midwest	100,000
	Chemical	Northeast	100,000
	Investment	West	100,000

POSITION	INDUSTRY	LOCATION	SALARY
Developments	Plastics	Northeast	100,000
	Banking	Northeast	100,000
Senior	Food Services	Midwest	99,000
Product Development	Computer Services	Southwest	92,000
	Consumer Products	West	90,000
	Real Estate	Southwest	81,000
	Health Care	East	80,000
	Health Care	West	80,000
	Hospitality	Southeast	80,000
	Insurance	East	80,000
Development	Real Estate	West	80,000
	Apparel	Southeast	80,000
Product Management	Communications	Midwest	80,000
Development	Consumer Products	East	80,000
	Chemical	Midwest	75,000
	Health Care	East	75,000
	Telecommunications	West	75,000

Manager

	Aerospace	East	$150,000
	Computer Peripherals	West	127,000
Product	Energy	Southwest	120,000
Dealer Development	Automotive	East	110,000
Group Product	Food	West	110,000
Group Product	Food	East	100,000
	Furniture	Midwest	100,000
Area	Health Care	Southeast	90,000
	Consumer Products	East	90,000
	Industrial Products	East	90,000
Senior Product	Food	West	90,000
Field Operations	Automotive	East	90,000
	Manufacturing	West	85,000
Sales	Computer Peripherals	Midwest	85,000
Product	Electronics	West	80,000
	Manufacturing	Northeast	80,000
	Chemical	Southeast	80,000
	Paper	West	80,000
	Chemical	Southeast	75,000

SALES

Vice President

Senior VP	Consumer Products	West	$225,000
Executive VP	Computer Peripherals	West	191,000
	Electrical Components	Midwest	160,000
Executive VP	Industrial Products	East	150,000
	Consumer Products	Southeast	150,000
	Consumer Products	Midwest	150,000
	Automotive	East	140,000
	Manufacturing	South	125,000
	Financial Services	South	125,000
	High Technology	East	120,000
	Aerospace	South	120,000
	Electronics	West	110,000
	Consumer Products	East	100,000
	Coal	Midwest	100,000
	Machinery	South	100,000
	Banking	Northeast	100,000
	High Technology	Northeast	100,000
	Consumer Products	Midwest	95,000
	Transportation	Midwest	90,000
	Transportation	West	90,000
	Electronics	East	90,000
	Food Services	Northeast	90,000

POSITION	INDUSTRY	LOCATION	SALARY
	Electronics	East	80,000
	Manufacturing	Midwest	80,000
Senior VP	Consumer Products	Midwest	75,000
	Transportation	Midwest	75,000
	Consumer Products	Midwest	75,000

Director

	Plastic Products	West	$110,000
	Metal Products	East	110,000
	Real Estate	East	100,000
	Insurance	Midwest	90,000
	Health Care	East	75,000

Manager

	Banking	West	$125,000
National	High Technology	Midwest	120,000
	Electronics	East	120,000
Asst. Merchandise	Retail	East	110,000
District	Manufacturing	East	100,000
	Machinery	Northeast	100,000
Regional	Electronics	Midwest	90,000
General	Consumer Products	Midwest	90,000
	Credit	West	90,000
National	Pharmaceutical	East	85,000
	Manufacturing	East	80,000
National	Apparel	East	80,000
Proposals	Manufacturing	Southwest	80,000
National	Apparel	East	80,000
	Chemical	East	80,000
	Health Care	West	80,000
Regional	Chemical	East	80,000
	Furniture	Northeast	80,000

PERSONNEL

Vice President

	Chemical	East	$275,000
Executive VP	High Technology	East	270,000
Senior VP	Energy	East	200,000
	Manufacturing	Midwest	190,000
	Consumer Products	West	150,000
	Communications	East	130,000
	Energy	East	100,000
	Food	Southeast	100,000
	Holding Co.	Midwest	100,000
Development	Health Care	East	100,000
	Communications	Midwest	96,000
	Health Care	Midwest	90,000
	Health Care	West	90,000
	Manufacturing	East	90,000
	Machinery	Midwest	85,000
	Chemical	West	80,000
	Chemical	West	80,000
	Banking	Southwest	80,000

Director

Affirmative Action	Consumer Products	West	$150,000
	Consumer Products	East	145,000
Executive Comp.	Financial Services	East	140,000
National	Business Services	East	140,000
	Defense	Southwest	100,000
	Electronics	West	100,000
Associate	Health Care	West	100,000
	Services	East	100,000

POSITION	INDUSTRY	LOCATION	SALARY
Recruitment	Consumer Products	Midwest	94,000
Development	Retail	East	91,000
	Grocery	South	90,000
	Food	East	90,000
Benefits	Consumer Products	Northeast	85,000
Employee Relations	Computer	East	85,000
	Business Service	Southeast	81,000
	Electronics	Midwest	80,000
	Consumer Products	Midwest	80,000
	Chemical	Northeast	80,000
	Defense	Southwest	75,000
	Electronics	Midwest	75,000
Manager			
Corporate	Transportation	East	$100,000
Comp. & Benefits	Electronics	West	90,000
Benefits	Oil	Northeast	75,000

PLANNING

POSITION	INDUSTRY	LOCATION	SALARY
Vice President			
Acquisitions	Financial Services	East	$400,000
Mergers	Investment	Northeast	300,000
	Mining	East	150,000
	Energy	Southwest	110,000
Acquisitions	Chemical	Midwest	100,000
Development	Insurance	South	80,000
	Holding Co.	West	80,000
	Medical Instruments	Midwest	75,000
Director			
	Consumer Products	Midwest	$112,000
Joint Ventures	Health Care	West	110,000
	Industrial Products	Northeast	100,000
	Capital Equipment	Midwest	82,000

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against NCR on behalf of a suede manufacturer in Oakland, California. "To my knowledge, this is the largest decision in the user's favor to stand up in appeal," he says.

In large companies, outside computer lawyers are usually brought in to work with the company's own lawyers. Thomas Christo of North Hampton, New Hampshire, one of the first and most successful of the computer lawyers, has worked on a number of major cases with in-house legal teams. The biggest difficulty in these situations, he says, "is getting the in-house lawyers to treat the outside attorney as one of the family and to be completely open with him."

But big corporations are often at a disadvantage in court cases, according to computer attorney Dexter L. Kenfield of Gaston Snow & Ely Bartlett in Boston. "They can afford to spend much more money than small businesses on litigation, but juries are likely to be less sympathetic," he says. "They tend to think that big companies should know better than to be misled by vendors."

On the other hand, the small businessman has a strong case, Kenfield says "if he can show real impact, especially if the vendor knew that the success of the business depended on the system."

Perez points out that even a vendor's sales literature can be used as evidence in proving it did not deliver as promised. In one user lawsuit he handled, the vendor's sales brochures described its system as being multi-program and multi-terminal, which the user understood to mean that a number of people could access it concurrently. That was not the case. But even though the sales contract did not specify that a number of users could work on the system at the same time, Perez says, the jury agreed with his interpretation of the sales literature and awarded his client a settlement.

The computer industry may be in a slump, but computer lawyers are having a field day. —LATON MCCARTNEY

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(9/30/85) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$21.38 share	$ 9,686	$11,434
per cent change		−3.1%	+14.3%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$107.34	$ 9,927	$11,299
ACCUMULATED INCOME		$ 91	$ 1,237
TOTAL		$10,018	$12,536
per cent change		+.18%	+25.4%
Money Market Fund	7.10%	$10,058	$10,830
per cent change		+.58%	+8.3%
Gold (Krugerrands)	$330.00 per ounce	$ 9,686	$ 9,200
per cent change		−3.1%	−8.0%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$91,900	$93,700	$84,500
per cent change		−2.0%	+8.0%
New House	$103,800	$104,400	$97,400
per cent change		−.58%	+6.2%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

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The Good News

Dividend Achievers

DUN'S BUSINESS MONTH

DECEMBER 1985 $3.00

THE FIVE BEST MANAGED COMPANIES 1985

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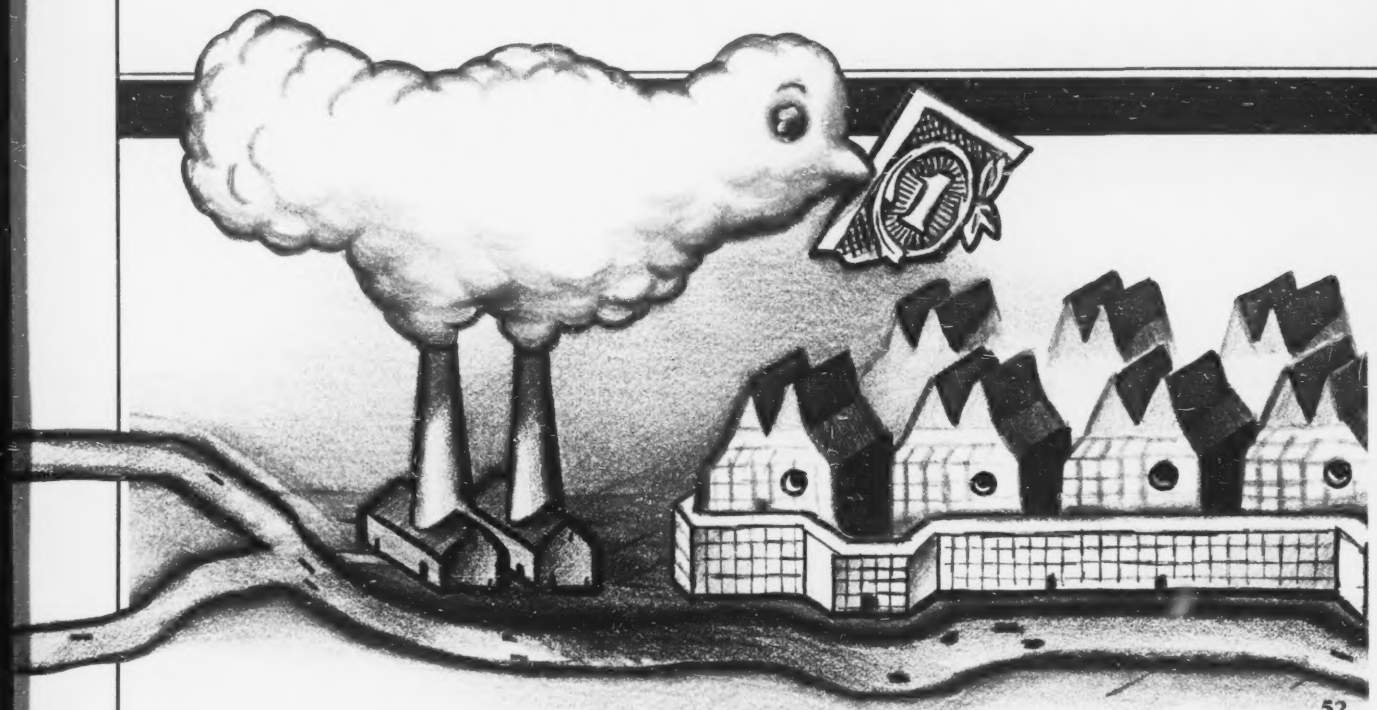

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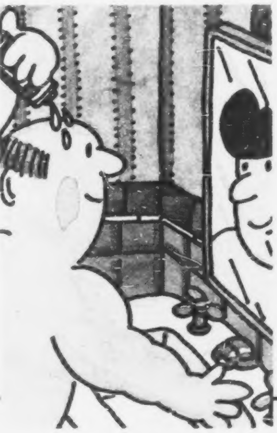

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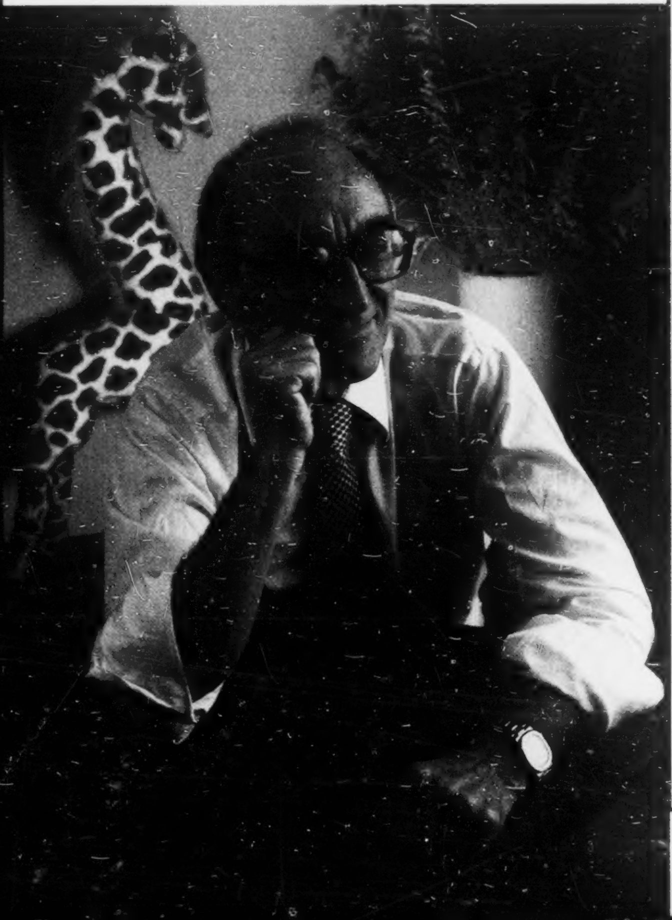

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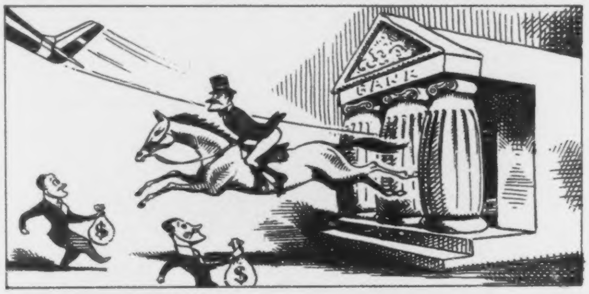
The Business Month



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Dividend Achievers: Do They Defy the Business Cycle?

The list of companies that have raised dividends for ten years in a row is shorter now than in the 1982 recession, Moody's survey reveals.

Can it be that companies with outstanding records of dividend growth are contrary economic indicators? Seven years of spotlighting dividend achievers—that is, companies that have raised their dividends ten years in a row—reveal that their numbers do not, as one might expect, mushroom in prosperous times and dwindle in a recession.

In recession-ridden 1982, the roster of dividend achievers hit a record of 434. Since then, the list has either shrunk or stayed the same. For 1985, the honor roll consists of 403 companies, down 7% from 1982.

The dividend achievers, then, appear to defy the business cycle. One reason is that some companies raise their payout even if earnings go the other way. In 1982, for example, Circle K Corp., a convenience store chain, boosted its dividend even though it lost $1.48 a share. This year, Heck's Inc., the discount department store chain, St. Paul Companies Inc., the insurers, and Southern Union Co., a gas utility, increased payments despite negative earnings.

In this study, DUN'S BUSINESS MONTH ranks the dividend achievers by the rate at which their payout has grown over ten years. (For convenience, they are also listed alphabetically on page 84.) The best performer is National Medical Enterprises, the health care company, with a compound dividend growth rate of 38.5%. Second-ranking Tultex Corp., a Virginia textile company, reports a 36.2% gain. RPM Inc., an Ohio maker of protective coatings, comes in third, with 35.8%. EG&G Inc., a Massachusetts maker of scientific and technical equipment, is fourth, with 30.9%; and Servicemaster Inc., an Illinois provider of maintenance services for health care facilities, fifth, with 30.7%.

This year, for the first time, we are highlighting the ten companies with the longest records of dividend increases. Each of them has fattened its payout for thirty-five consecutive years (*see page 83*). The gold medal for consistency goes to Winn-Dixie Stores Inc., the food retailer, which has racked up 42 successive years of increases. In the main listing, the number of years of payment is in parentheses after each company's name.

The list of achievers is compiled annually by Moody's Investors Service Inc. from the 3,700 companies in its data base, which includes all the companies listed on the New York and American Stock Exchanges and all those actively traded on NASDAQ. In addition, Moody's publishes every summer *The Handbook of Dividend Achievers*, which gives a one-page overview of each company, a statistical record and a fifteen-year price chart.

Why look at the dividend achievers? One compelling reason is that the stock of a company that raises its dividend every year for at least ten years is likely to return more than a bond. The latter produces constant interest income. The stock not only pays off in consistent dividend increases, but probably will also produce market gains.

This year's average yield for the achievers was 4.3%. At that rate, a $10,000 investment in a hypothetical average dividend achiever would yield $430 in dividends, compared to $1,175 for a corporate bond, using the recent interest rate of 11.75%. But in only three years, assuming a continuation of the stock yield and of the 13% growth rate that the average achiever attained over the past ten years, the stock will have returned $1,400 in dividends and $2,800 in appreciation, compared to $3,525 in interest on the bond.

Moreover, the difference between the two investments will grow as the years pass. Assuming that the price of the stock rises so that the yield stays at 4.3%, the average dividend achiever would pay out a hefty $2,689 in the sixteenth year, and the $10,000 investment in its stock would be worth more than $62,500. Interest on the bond would come to only $18,800, and even if interest rates should fall sharply, it would appreciate much less than the stock. —J.P.

DIVIDEND ACHIEVERS

Rank	Company	Ten-Year Dividend Growth Rate[6]	Current Indicated Dividend	Recent Stock Price	Current Yield	Latest Earnings Per Share	1984 Payout	Annual Sales (millions)	Shareholders' Equity (millions)
1.	National Medical Enterprises, Inc.[22*] (13)	38.5%	$.52	21½	2.4%	$1.98	26.3%	$2,530.0	$937.0
2.	Tultex Corp.[16] (10)	36.2	.48	14⅞	3.2	1.08	37.0	286.3	78.9
3.	RPM, Inc.[22] (12)	35.6	.62	14¼	4.4	1.03	43.5	203.2	64.4
4.	EG & G, Inc.[17] (12)	30.9	.48	35½	1.4	1.88	21.3	1,071.7	149.8
5.	ServiceMaster Industries, Inc. (NA)	30.7	.80	18¼	4.4	.93	71.7	849.7	67.9
6.	General Binding Corp. (10)	30.6	.36	13	2.8	1.30	26.2	163.3	64.6
7.	Harland (John H.) Co. (33)	30.2	.56	31	1.8	1.48	31.1	217.4	111.9
8.	Rite Aid Corp.[20] (17)	29.4	.50	22¼	2.2	1.69	24.3	1,445.7	353.7
9.	Automatic Data Processing, Inc.[23] (10)	29.2	.68	49½	1.4	2.47	26.3[9]	1,030.0	558.2
10.	Equitable Bancorporation (NA)	28.6	.84	28¼	3.0	2.69	25.1	311.8[10]	175.3
11.	Church's Fried Chicken (12)	27.8	.44	15¼	2.9	1.13	34.5	545.3	264.9
12.	Republic New York Corp. (10)	27.2	1.64	47	3.5	5.49	28.8	1,078.4[10]	858.9
13.	United Industrial Corp. (16)	26.3	.60	20¼	3.0	1.43[3]	29.9	246.2	86.9
14.	Syntex Corp.[12] (10)	26.1	1.20	65⅝	1.8	2.04	39.2	916.5	621.6
15.	Betz Laboratories, Inc. (20)	26.0	1.32	30½	4.3	2.33	47.2	303.9	170.7
16.	Schlumberger Ltd. (14)	26.0	1.20	34⅛	3.5	4.10	26.3	6,370.4	6,992.2
17.	Flowers Industries, Inc.[23] (13)	25.7	.46	19⅞	2.3	1.10	38.6[9]	626.3	144.2
18.	Trion, Inc. (12)	25.6	.10	7¼	1.4	.48	17.7	20.7	10.0
19.	Revco D. S., Inc.[23] (15)	25.3	.80	25⅞	3.1	1.06	72.6	2,395.6	457.4
20.	Keystone Int'l., Inc. (14)	25.2	.48	14¼	3.4	.80	46.9	124.2	80.3
21.	ACME Electric Corp.[23] (13)	25.0	.32	7⅝	4.2	.70	45.2[9]	75.8	21.8
22.	Great Lakes Chemical Corp. (NA)	24.8	.48	34	1.4	2.38	15.1	278.2	172.8
23.	Philip Morris Companies, Inc. (17)	24.3	4.00	73⅛	5.5	7.24	45.2	13,813.7	4,092.9
24.	Lee Enterprises, Inc.[14] (25)	24.1	.92	40	2.3	1.95	37.9	190.0	130.7
25.	Hospital Corp. of America (14)	23.8	.60	31⅛	1.9	3.35	14.2	3,498.6	1,869.6
26.	Nucor Corp. (13)	23.8	.40	44¼	9.0	3.16	11.1	660.3	299.6
27.	Sealed Air Corp. (10)	23.7	.44	33⅝	1.3	1.72	22.1	166.1	75.6
28.	Halliburton Co. (13)	23.4[7]	1.80	25¼	7.1	2.87	62.7	5,445.7	3,384.2
29.	Petrolite Corp.[15] (10)	23.3	1.12	25	4.5	2.18	47.2	294.1	156.9
30.	AVEMCO Corp. (10)	23.1	.60	32¾	1.8	2.06	28.4	47.7[11]	42.5
31.	Dart & Kraft, Inc. (13)	23.1	1.56	39⅛	4.0	3.01	45.9	9,758.7	2,598.0
32.	Shoney's, Inc.[15] (16)	22.3	.15	25	.6	1.09	11.0	477.0	180.6
33.	Abbott Laboratories (13)	22.2	1.40	55½	2.5	3.34	34.4	3,104.0	1,602.7
34.	Fort Howard Paper Co. (NA)	22.1	.92	40⅝	2.2	2.11	34.1	1,338.6	841.6
35.	Hunt Manufacturing Co.[15] (18)	22.1	.50	28¾	1.7	1.58	27.8	96.7	42.7
36.	O'Sullivan Corp. (13)	22.1	.42	22¾	1.8	1.49	21.1	130.9	42.7
37.	General Cinema Corp.[15] (17)	22.0	.50	35	1.4	1.95	17.4	916.3	355.9
38.	Baxter Travenol Laboratories, Inc. (29)	21.8	.37	13⅝	2.7	.21	—	1,800.4	1,106.7
39.	Allied Bancshares, Inc. (12)	21.7	.84	18⅞	4.5	2.89	27.7	1,012.8[10]	534.9
40.	Hewlett-Packard Co.[15] (11)	21.6	.22	30	.7	2.59	7.3	6,044.0	3,545.0
41.	Anixter Bros., Inc.[12] (11)	21.5	.28	16½	1.7	.91[3]	29.7	597.8	191.5
42.	Dean Foods, Inc. (13)	21.5	.56	39⅛	1.4	1.93	22.8	923.1	129.1
43.	Roadway Services, Inc. (23)	21.4	1.00	29	3.4	2.45	39.8	1,461.5	578.0
44.	American Recreation Centers, Inc.[22] (18)	21.3	.14	9⅛	1.5	.58	19.3	23.0	18.3
45.	West Co., Inc. (The) (14)	21.3	.48	24¾	1.9	1.73	24.3	182.2	105.9
46.	Lomas & Nettleton Financial Corp.[23] (12)	21.0	1.40	32¾	4.3	2.81	45.6[9]	272.9	192.7
47.	Masco Corp. (27)	21.0	.56	31⅝	1.8	2.00	25.0	1,019.7	765.3
48.	Baker, Fentress & Co. (13)	20.9	2.95	37¾	7.8	40.54[8]	—	12.1	—
49.	Blount, Inc.[19] (10)	20.9	.40	11⅞[2]	3.4	2.03	17.7	847.0	127.2
50.	Communications Industries, Inc. (15)	20.6	.38	27¾	1.4	1.29	27.1	98.2	82.9
51.	Deluxe Check Printers, Inc. (25)	20.6	1.04	37	2.8	2.01	38.8	682.8	299.1
52.	Lear Siegler, Inc.[23] (11)	20.6	2.00	48¼	4.1	5.51	35.4[9]	2,370.7	4.2
53.	Multimedia, Inc. (17)	20.6	.66	21¾	3.0	2.02	29.7	304.4	248.7
54.	Commerce Clearing House, Inc. (15)	20.5	2.12	77½	2.7	4.47	39.6	422.7	110.3
55.	WD-40 Co.[13] (11)	20.5	.96	17¾	5.4	1.35	63.7	57.3	26.0
56.	Cross (A.T.) Co., (18)	20.4	1.44	33¼	4.3	2.06	61.2	133.0	86.8
57.	Gannett Co., Inc.[17] (14)	20.4	1.48	56	1.8	2.80	45.7	1,960.2	1,142.0
58.	Pay 'N Pak Stores, Inc.[19] (13)	20.1	.64	12¼	5.2	1.01	58.4	305.2	97.8
59.	Cincinnati Financial Corp. (25)	20.0	1.24	50¼	2.5	4.50	23.3	489.3[11]	370.6
60.	Core Industries, Inc.[13] (27)	20.0	.56	12⅛	4.6	1.08	47.2	148.3	90.7
61.	Heileman (G.) Brewing Co. (13)	19.8[7]	.48	18⅝	2.6	1.73	27.7	1,171.4	268.4
62.	Entex, Inc.[23] (14)	19.7	1.36	19	7.2	2.45	54.2[9]	967.1	288.5[5]
63.	AMP, Inc. (33)	19.6	.72	29	2.5	1.87	34.2	1,812.8	923.2
64.	Barry Wright Corp. (14)	19.6	.60	17¼	3.5	1.68	32.1	201.8	100.0
65.	Dorsey Corp. (11)	19.6[7]	1.20	32⅝	3.7	2.06	58.3	520.5	77.8
66.	Melville Corp. (22)	19.6	1.44	43½	3.3	3.60	36.7	4,423.5	954.8
67.	Kelly Services, Inc.[17] (14)	19.5	.60	35¾	1.7	1.65	31.7	741.2	108.8
68.	Daniel Industries, Inc.[14] (NA)	19.2	.18	7⅞	2.3	d0.23	—	137.8	94.0
69.	K Mart Corp.[18] (21)	19.2	1.40	31⅜	4.5	3.84	31.3	21,095.9	3,233.8
70.	Mine Safety Appliances Co. (15)	19.2	.52	33½	1.6	3.77	10.6	391.3	145.1

*Footnotes on page 83

DIVIDEND ACHIEVERS

Rank	Company	Ten-Year Dividend Growth Rate[6]	Current Indicated Dividend	Recent Stock Price	Current Yield	Latest Earnings Per Share	1984 Payout	Annual Sales (millions)	Shareholders' Equity (millions)
71.	U.S. Tobacco Co. (15)	19.1%	$1.72	30½	5.6%	$2.86	50.3%	$443.8	$281.1
72.	Myers Industries, Inc. (10)	19.0	.28	10	2.8	1.15	21.7	86.0	32.5
73.	Super Valu Stores, Inc.[19] (13)	19.0	.38	20¾	1.8	1.13[3]	28.3	6,547.7	469.2
74.	Knight-Ridder Newspapers, Inc. (17)	18.9	.76	34⅛	2.2	2.15	29.8	1,664.7	921.6
75.	Heck's, Inc. (NA)	18.8[7]	.28	12⅞	2.2	d0.86	—	464.7	98.0
76.	Dexter Corp. (20)	18.7	.80	20¾	3.9	1.93	38.3	625.2	200.2
77.	Diebold, Inc. (32)	18.7	1.00	34¼	2.9	4.35	18.4	474.1	281.7
78.	Hutton (E.F.) Group, Inc. (14)	18.7[7]	.80	33⅝	2.4	2.05	39.0	2,787.0	638.3
79.	PHH Group, Inc.[21] (27)	18.7	1.00	34½	2.9	2.56	33.6	700.1	239.1
80.	Weis Markets, Inc.[17] (21)	18.7	.50	34⅞	1.4	1.79	23.8	957.8	323.5
81.	American Hospital Supply Corp. (30)	18.4	1.12	47	2.4	3.23	33.7	3,448.5	1,497.3
82.	Millipore Corp. (NA)	18.4	.48	39⅝	1.2	2.21	19.0	332.1	214.2
83.	Owens & Minor, Inc. (11)	18.3	.28	15⅝	1.8	.95	25.3	306.7	32.1
84.	Provident Life & Accident Ins. Co. (16)	18.3	.76	23¾	3.2	3.49	20.1	1,384.4[11]	787.9
85.	Dover Corp. (30)	18.2	.88	35½	2.5	2.82	27.7	1,288.5	559.1
86.	Farmers Group, Inc. (16)	18.1	1.76	58⅛	3.0	5.48	27.7	893.8[11]	1,050.8
87.	Morrison Knudsen Corp. (13)	18.1	1.48	42	3.5	4.13	33.4	2,022.1	357.1
88.	Chemed Corp. (15)	18.0	1.52	27¾	5.5	2.29	64.6	346.1	78.4
89.	Dayton-Hudson Corp.[19] (NA)	17.9	.82	38⅞	2.1	2.68	25.1	8,009.0	1,736.5
90.	Lewis (Palmer G.) Co., Inc.[18] (17)	17.9	.28	6⅞	4.1	.30	87.3	144.4	33.2
91.	Affiliated Publications, Inc. (15)	17.6	.60	45¼	1.3	2.24	23.8	343.8	142.7
92.	Brunswick Corp. (15)	17.5	1.00	36¼	2.8	4.42	15.8	1,468.1	460.8
93.	McGraw-Hill, Inc. (12)	17.5	1.40	42¾	3.3	2.86	43.4	1,401.8	697.9
94.	Pioneer Corp. (NA)	17.4[7]	1.24	23¼	5.3	1.45[3]	85.5	462.3	395.7
95.	Albertson's, Inc.[18] (14)	17.3	.76	28	2.7	2.42	27.3	4,735.7	454.4
96.	Durr-Fillauer Medical, Inc. (13)	17.3	.15	10⅞	1.4	.74	16.8	341.7	47.3
97.	United Bancorp of Arizona (21)	17.3	.60	28⅝	2.1	2.09	24.5	168.7[10]	96.9
98.	Progressive Corp. (16)	17.2	.12	35¾	.3	1.88	5.7	282.3[11]	74.8
99.	Pioneer Hi-Bred International, Inc.[13] (13)	17.1	.92	32½	2.8	2.17	37.3	716.1	393.6
100.	Rollins, Inc.[23] (NA)	17.1[7]	.46	11⅜	4.0	.69	66.7	280.6	29.3
101.	Dennison Manufacturing Co. (14)	17.0	1.20	21¾	5.5	2.27	48.5	684.0	227.6
102.	Henredon Furniture Industries, Inc.[17] (21)	17.0	1.04	33½	3.1	3.05	30.5	144.1	108.5
103.	Northwestern Financial Corp. (10)	17.0	.68	28½	2.4	2.44	23.0	294.5[10]	156.4
104.	Hannaford Bros. Co.[17] (14)	16.9	.50	23	2.2	1.42	27.4	707.3	72.0
105.	Colonial Life & Accident Ins. Co. (NA)	16.8	1.00	31½	3.2	5.20	17.3	158.8[11]	145.3
106.	General Signal Corp. (13)	16.8	1.80	37⅝	4.8	3.80	45.0	1,786.9	901.7
107.	Jostens, Inc.[23] (19)	16.8	.80	24⅜	3.3	1.76	45.5[9]	529.8	199.0
108.	Rubbermaid, Inc. (31)	16.8	.48	27	1.8	1.39	28.1	566.4	239.0
109.	Bowl America, Inc.[12] (13)	16.7	.44	10⅜	4.2	1.05	35.8	17.2	11.0
110.	Leggett & Platt, Inc. (15)	16.7	.52	25¾	2.0	2.13[3]	20.7	424.8	107.9
111.	American Greetings Corp.[19] (10)	16.6	.58	29⅝	2.0	2.35	21.3	945.7	425.7
112.	SAFECO Corp. (10)	16.6	1.60	37¾	4.2	3.04	46.1	1,845.3[11]	1,068.6
113.	Sonat Inc. (14)	16.6	2.00	34¼	5.8	4.30[3]	39.5	2,632.0	1,434.9
114.	Webb Co. (The) (15)	16.6	.40	10¾	3.7	1.16	29.3	176.0	50.0
115.	Bristol-Myers Co. (13)	16.3	1.88	55⅞	3.4	3.45	43.5	4,189.4	2,145.9
116.	Capital Holding Corp. (16)	16.3	.77	22	3.5	2.31	32.0	1,346.1[11]	996.6
117.	Noxell Corp. (10)	16.3	1.08	49⅝	2.2	2.85	29.5	349.5	128.9
118.	Russell Corp. (13)	16.3[7]	.30	16⅜	1.8	1.40	21.4	353.0	195.9
119.	VF Corp.[17] (13)	16.3	1.28	40½	3.2	3.92	26.3	1,167.4	441.4
120.	Duplex Products, Inc.[15] (12)	16.2	.46	17½	2.6	1.31	31.3	241.8	75.2
121.	Johnson & Johnson[17] (23)	16.2	1.30	44½	2.9	2.75	42.7	6,124.5	2,932.0
122.	Protective Life Corp. (NA)	16.2	.66	19⅝	3.4	2.95	20.7	263.0[11]	182.6
123.	Tyler Corp. (13)	16.2	.40	14⅜	2.8	1.51[3]	23.2	928.5	198.0
124.	McDonnell Douglas Corp. (10)	16.1	1.84	66⅞	2.8	8.10	19.4	9,662.6	2,343.8
125.	Heinz (H.J.) & Co.[21] (22)	16.0	.90	29	3.1	1.93	37.6	4,047.9	1,230.5
126.	Alco Standard Corp.[14] (21)	15.9	1.20	33¼	3.6	2.87[3]	40.8	3,392.4	453.7
127.	Kaman Corp. (14)	15.9	.44	21¼	2.1	1.61	20.7	538.5	104.2
128.	Ogilvy Group, Inc. (NA)	15.8	1.08	40½	2.7	2.76	32.8	428.6	122.2
129.	Southland Corp. (11)	15.8	1.00	36⅞	2.7	3.41	27.0	12,105.0	1,195.7
130.	Dun & Bradstreet Corp. (The) (34)	15.7	2.20	73¼	3.0	3.37	53.7	2,397.3	1,225.5
131.	Meridian Bancorp, Inc. (23)	15.5	1.80	33⅜	5.4	3.84	38.8	464.0[10]	326.1
132.	Ohio Casualty Corp. (40)	15.5	2.80	57	4.9	2.66	—	1,011.3[11]	499.4
133.	Vermont American Corp. (12)	15.5	.40	17	2.4	2.17	16.8	225.9	110.5
134.	USLICO Corp. (17)	15.4	.80	23¾	3.4	3.42	20.5	215.4[11]	159.8
135.	CIGNA Corp. (NA)	15.3	2.60	55¾	4.7	.11	—	14,775.3[11]	4,921.0
136.	Genuine Parts Co. (29)	15.3	1.18	30⅞	3.8	2.20	45.2	2,303.6	701.1
137.	Pioneer-Standard Electronics, Inc.[20] (21)	15.3	.12	8¾	1.4	.68	16.9	233.4	32.1
138.	St. Paul Companies, Inc. (10)	15.3	3.00	68	4.4	d9.82	—	2,359.1[11]	968.7
139.	Sunwest Financial Services, Inc. (12)	15.3	1.76	48	3.7	4.56	29.2	217.6[10]	139.5
140.	Ball Corp. (14)	15.2	.72	28⅛	2.6	4.08	29.9	1,050.7	295.4

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Rank	Company	Ten-Year Dividend Growth Rate[6]	Current Indicated Dividend	Recent Stock Price	Current Yield	Latest Earnings Per Share	1984 Payout	Annual Sales (millions)	Shareholders' Equity (millions)
141.	Block (H. & R.), Inc.[21] (22)	15.2%	$1.36	31⅝	4.3%	$2.25	48.0%	$493.1	$ 245.5
142.	Echlin Inc.[13] (21)	15.2	.44	11⅞	3.7	1.06	34.4	689.0	260.9
143.	American Business Products, Inc. (28)	15.0	.64	25½	2.5	1.73	32.4	280.4	70.8
144.	Citizens Fidelity Corp. (18)	15.0	1.04	33⅜	3.1	2.80	32.0	298.4[10]	199.1
145.	Avery International Corp.[16] (10)	14.9	.60	32¾	1.8	2.42	22.3	913.0	270.5
146.	Consolidated Edison Co. of N. Y. (11)	14.9	2.40	34½	7.0	4.48	47.3	5,728.8	4,012.0[5]
147.	Donnelley (R. R.) & Sons Co. (16)	14.9	1.16	54¼	2.1	3.50	28.6	1,814.5	798.5
148.	Lance, Inc.[17] (11)	14.9	.96	30¼	3.2	1.87	46.1	337.4	159.2
149.	Washington R.E.I.T. (24)	14.9	1.172	19⅛	6.1	1.04	96.2	17.2[11]	44.2
150.	Anderson, Greenwood & Co.[17] (15)	14.8	.24	13½	1.8	.75[1,3]	25.7	57.8	42.7
151.	Van Dorn Co. (23)	14.6	1.00	23⅜	4.3	3.80	21.6	296.4	75.7
152.	Rainier Bancorporation (13)	14.4	1.00	29¼	3.4	3.13	28.1	708.7[10]	444.4
153.	Standex International Corp.[23] (21)	14.4	.52	14	3.7	1.37	38.0[9]	375.3	147.3
154.	Nalco Chemical Co. (22)	14.3[7]	1.20	22⅝	5.3	1.86[3]	64.5	664.3	352.1[5]
155.	Quaker Chemical Corp. (14)	14.3	.38	10	3.8	1.05	32.4	115.8	49.1
156.	Telephone & Data Systems, Inc. (NA)	14.3[7]	.40	10¾	3.7	1.01[3]	39.1	99.3	81.1[5]
157.	Universal Leaf Tobacco Co., Inc.[23] (15)	14.3	1.00	21½	4.7	2.66	36.8[9]	1,078.9	261.0
158.	Bard (C. R.), Inc. (14)	14.2	.56	35¾	1.6	2.33	18.0	416.9	222.4
159.	Colt Industries, Inc. (13)	14.1	2.50	58⅝	4.3	5.99	38.0	1,868.3	343.7
160.	International Flavors & Fragrances, Inc. (24)	14.1	1.12	32⅛	3.5	1.89	57.1	476.7	351.2
161.	Turner Corp. (18)	14.0	1.20	28½	4.2	3.09	35.6	1,693.6	58.9
162.	American Heritage Life Investment Corp. (16)	13.9	1.20	34⅛	3.5	3.33	31.2	166.6[11]	77.7
163.	Banc One Corp. (15)	13.8	.80	22	3.6	1.92	32.9	933.2[10]	668.8
164.	Fourth Financial Corp. (10)	13.8	1.24	27½	4.5	2.91	35.8	117.8[10]	98.3
165.	Grumman Corp. (12)	13.8	1.00	31¾	3.1	3.62	25.6	2,603.6	588.7
166.	Pfizer Inc. (18)	13.8	1.48	45⅞	3.2	3.08	42.9	3,854.5	2,484.5
167.	Walgreen Co.[13] (10)	13.8	.50	23½	2.1	1.39	27.3	2,744.6	414.6
168.	First Ohio Bancshares, Inc. (19)	13.7	.96	24½	3.9	2.44	35.9	67.8[10]	66.3
169.	General Mills, Inc.[22] (NA)	13.7	2.24	63¼	3.5	2.58[3]	82.9	4,285.2	1,023.3
170.	Media General, Inc. (13)	13.7	1.16	75¾	1.5	5.60	19.3	547.7	278.1
171.	Seaway Food Town, Inc.[14] (20)	13.7[7]	.68	16½	4.1	.77	88.3	466.0	37.5
172.	Hartford Steam Boiler Inspection Co. (NA)	13.6	2.00	51	3.9	1.12	—	259.8[11]	112.1
173.	Standard Brands Paint Co.[18] (22)	13.6	.56	19⅝	2.9	1.87	28.3	314.9	156.3
174.	Zions Utah Bancorporation (10)	13.6	1.36	39½	3.4	4.13	28.6	260.3[10]	184.1
175.	Nevada Power Co. (23)	13.5	2.84	30¾	9.2	3.24	84.6	318.1	295.6[5]
176.	Thomas & Betts Corp. (14)	13.5	1.36	35⅛	3.9	2.51	46.6	322.4	212.1
177.	PepsiCo, Inc.[17] (14)	13.4	1.78	63⅝	2.8	2.19[3]	76.0	7,698.7	1,853.4
178.	Amer. Bldg. Maintenance Industries[15] (21)	13.3	.86	23	3.7	2.12	38.7	374.1	61.3
179.	Overnite Transportation Co. (28)	13.3	.72	34⅝	2.1	2.48	23.4	415.0	181.4
180.	Thomas Industries, Inc. (NA)	13.3	.68	17¾	3.8	1.87	32.3	291.7	99.9
181.	Torchmark Corp. (34)	13.3	.60	21¾	2.8	4.20	10.7	1,127.1[11]	811.5
182.	American Express Co. (18)	13.2	1.36	41⅝	3.3	2.79	45.9	12,895.0	4,607.0
183.	Anheuser-Busch Companies, Inc. (11)	13.2	.80	33½	2.4	2.47	25.4	6,501.2	2,237.9
184.	Combined International Corp. (34)	13.2	2.16	43¼	5.0	4.97	41.4	1,287.7[11]	836.6
185.	Emerson Electric Co.[14] (20)	13.2	2.60	68⅜	3.8	5.10	46.6	4,178.8	1,869.2
186.	Home Beneficial Corp. (22)	13.2	.92	31	3.0	3.96	20.1	175.0[11]	326.4
187.	Pillsbury Co.[22] (28)	13.2	1.72	61	2.8	4.42	32.6	4,670.6	1,165.4
188.	Texas Commerce Bancshares, Inc. (16)	13.2	1.56	28⅜	5.5	5.64	25.2	1,943.0[10]	1,168.0
189.	Coca-Cola Bottling Co. Consolidated (12)	13.0	.71	43⅞	1.6	1.96	33.7	197.1	58.0
190.	Toronto Dominion Bank[15] (24)	13.0	.80	22	3.6	2.64	28.8	4,841.9[10]	2,374.6
191.	First Kentucky National Corp. (39)	12.9	1.14	29½	3.9	2.64	33.7	302.0[10]	226.0
192.	USLIFE Corp. (NA)	12.9	1.04	35¾	2.9	4.13[3]	23.7	922.7[11]	813.7
193.	Cluett, Peabody & Co. (10)	12.8	1.00	36⅝	2.7	2.98	32.2	949.3	245.8
194.	Grainger (W. W.), Inc. (14)	12.8	.68	31½	2.2	2.38	25.8	1,059.4	463.9
195.	Ralston Purina Co.[15] (14)	12.8	1.00	45	2.2	2.68	34.3	4,980.1	997.5
196.	Hershey Foods Corp. (12)	12.7	1.40	48⅜	2.9	3.47	35.7	1,892.5	660.9
197.	Planters Corp. (14)	12.7	.64	19½	3.3	1.66	33.7	57.9[10]	39.3
198.	Sealed Power Corp. (14)	12.6	1.00	25	4.0	3.38	26.6	500.1	236.9
199.	Tennant Co. (14)	12.6	.92	23¾	3.9	1.65	53.3	127.2	57.1
200.	Lawter International, Inc. (NA)	12.5	.56	10¾	5.2	.86	64.3	98.4	58.4
201.	Allied Capital Corp.[20] (12)	12.4	1.60	20	8.0	.71	—	5.8[11]	22.1
202.	American Home Products Corp. (NA)	12.4	2.90	56¾	5.1	4.26[1,3]	62.0	4,485.5	2,088.6
203.	Rochester Telephone Corp. (26)	12.4	2.44	36⅛	6.8	3.79	60.2	257.5	262.2[5]
204.	AMETEK, Inc. (35)	12.3[7]	.80	23¼	3.4	1.96	40.8	503.9	200.9
205.	Hillenbrand Industries, Inc.[17] (15)	12.3	.54	23⅛	2.3	1.95	26.2	484.6	235.0
206.	Jefferson Pilot Corp. (18)	12.3	1.52	44⅞	3.4	3.92[3]	32.7	960.6[11]	1,136.3
207.	Morrison Inc.[22] (16)	12.3	.48	18⅛	2.6	1.31	32.1	478.8	145.6
208.	Paxton (Frank) Co.[20] (12)	12.3	.50	17¼	2.9	1.31[3]	34.0	97.9	45.4
209.	Puget Sound Bancorp. (13)	12.3	1.28	37¾	3.4	3.62	29.3	157.2[10]	96.3
210.	Security Bancorp., Inc. (19)	12.3	1.28	26⅛	4.9	2.70	41.5	150.4[10]	79.7

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211. Wallace Computer Services, Inc.[12] (14)	12.3%	$.45	35	1.3%	$1.90	21.7%	$243.1	$114.6
212. Fuller (H.B.) Co.[16] (18)	12.2	.32	16½	1.9	1.40[1,3]	21.1	448.0	99.9
213. Quaker Oats Co.[23] (19)	12.2	1.40	57¾	2.4	3.76	34.0[9]	3,520.1	824.8
214. Acme United Corp. (24)	12.1[7]	.32	9⅝	3.3	.63	50.8	39.4	20.5
215. American Water Works Co., Inc. (10)	12.1	1.00	25⅛	4.0	3.07	26.1	407.6	321.1[5]
216. Tucson Electric Power Co. (15)	12.1	3.00	37⅞	7.9	4.02	64.7	352.2	589.8[5]
217. InterNorth, Inc. (NA)	12.0	2.48	43	5.8	5.61	42.8	7,510.4	1,562.3[5]
218. Wesco Financial Corp. (14)	12.0	.62	33	1.9	3.32	17.5	110.2	143.6
219. Consolidated Freightways, Inc. (15)	11.9	1.10	32¼	3.4	2.81	34.7	1,704.9	522.8
220. Toledo Trustcorp, Inc. (34)	11.9	1.90	46	4.1	4.43	42.3	202.0[10]	185.0
221. U.S. Leasing International, Inc. (14)	11.9	.80	32	2.5	4.28	17.8	371.7	230.1
222. Louisiana General Services, Inc.[14] (14)	11.8	.57	11¼	5.1	1.23	39.1	197.3	52.7[5]
223. Stanley Works (The)[17] (18)	11.8	1.04	28⅝	3.6	2.60	34.6	1,158.4	444.0
224. Taft Broadcasting Co.[20] (11)	11.8	1.16	76¼	1.5	5.22	21.1	357.3	327.3
225. United Aircraft Products, Inc.[16] (15)	11.8	.54	21½	2.5	1.79	28.7	32.6	20.3
226. Arizona Bancwest Corp. (15)	11.7	.80	39¾	2.0	2.26	33.0	313.3[10]	167.1
227. First Union Real Estate Equity & Mtg. (10)	11.7	2.00	27⅞	7.2	2.07	79.2	70.3	112.1
228. Affiliated Bankshares of Colorado, Inc. (NA)	11.6[7]	.80	15	5.3	1.97	40.6	255.1[10]	169.7
229. Arkla, Inc. (12)	11.6	1.08	19¾	5.5	1.30[3]	81.5	1,180.7	464.1[5]
230. Federal Co.[22] (13)	11.6	1.84	42⅜	4.3	4.36	37.6	1,268.0	244.0
231. Marsh & McLennan Companies, Inc. (24)	11.6	2.70	68¾	3.9	1.62	—	1,101.4[11]	370.8
232. Chesebrough-Pond's, Inc. (27)	11.4	2.00	34¾	5.8	3.40	56.5	1,857.3	625.6
233. Federal Realty Investment Trust (18)	11.4	1.04	15⅞	6.6	1.03	86.4	27.3[11]	70.6
234. Kroger Co.[17] (12)	11.4[7]	2.00	43⅜	4.6	3.49	57.3	15,922.9	1,148.8
235. Stepan Co. (19)	11.4	.68	22	3.1	1.66	39.2	234.9	47.7
236. American Brands, Inc. (18)	11.3	3.90	55⅛	7.1	7.20	51.6	6,955.2	2,357.5
237. Lilly (Eli) & Co. (18)	11.3	3.20	88½	3.6	6.73	44.2	3,109.2	2,221.2
238. Northwestern National Life Ins. Co. (14)	11.3	.80	22¾	3.5	4.29	13.1	1,604.7[11]	256.0
239. PNC Financial Corp. (NA)	11.3	1.32	28¾	4.6	3.26	33.3	1,290.8[10]	926.8
240. First Interstate Corp. of Wisconsin (15)	11.2	1.00	27	3.7	3.04	29.3	85.9[10]	56.4
241. National Gas & Oil Co. (15)	11.2	.40	12	3.3	1.36	26.1	68.7	26.4[5]
242. Citizens & Southern Corp. (11)	11.1	1.20	51¼	2.3	3.47	28.8	221.6[10]	130.0
243. Kimberly-Clark Corp. (12)	11.1	2.32	61½	3.8	4.77	45.6	3,616.2	1,572.2
244. Fifth Third Bancorp. (13)	11.0	1.60	52¼	3.1	4.87	28.1	197.7	197.4
245. Harvey Hubbell, Inc. (25)	11.0	.76	22⅝[2]	3.4	1.69	38.6	467.1	269.2
246. Holiday Corp.[17] (22)	11.0	1.00	53⅛	1.9	3.59	24.7	1,759.8	1,024.5
247. PPG Industries, Inc. (14)	11.0	1.76	43¾	4.0	4.33	32.3	4,242.2	2,015.1
248. Becton, Dickinson & Co.[14] (13)	10.9	1.20	53¼	2.3	3.03	38.4	1,126.8	606.8
249. First Alabama Bancshares, Inc. (14)	10.9	1.12	31¼	3.6	2.84	34.3	326.7[10]	307.4
250. Kidde, Inc. (14)	10.9	1.20	34⅝	3.5	3.75	31.0	2,312.2	659.7
251. BanPonce Corp. (31)	10.8	1.00	18½	5.4	2.69[1]	25.5	184.6[10]	103.2
252. Honeywell Inc. (10)	10.8	2.00	60⅜	3.3	7.14	26.6	6,073.6	2,380.9
253. Reliable Life Ins. Co. (10)	10.8	1.95	39½	4.9	8.90	20.8	85.0[11]	82.3
254. Witco Corp. (13)	10.8	1.48	34	4.4	4.28	32.7	1,495.8	374.8
255. Borg-Warner Corp. (10)	10.7	.96	20⅞	4.6	2.28	37.7	3,915.6	1,595.4
256. Century Telephone Enterprises, Inc. (12)	10.7	.80	12	6.7	1.35	57.8	111.0	92.5[5]
257. Transamerica Corp. (24)	10.7	1.68	28¼	5.9	2.32	68.1	5,399.1[11]	1,864.2
258. Winn-Dixie Stores, Inc.[23] (42)	10.7	1.74	33¾	5.2	2.64	64.8[9]	7,774.5	646.8
259. General Electric Co. (10)	10.6	2.20	58½	3.8	5.03	39.8	27,947.0	12,573.0
260. National Service Industries, Inc.[13] (21)	10.6	1.00	32⅜	3.1	2.50	35.2	1,073.1	374.0
261. Yellow Freight System Inc. of Delaware (19)	10.6	.54	20⅝	2.6	1.55	31.0	1,380.0	280.1
262. FPL Group, Inc. (39)	10.5	1.96	24¼	8.1	2.62	71.0	3,940.9	2,382.3[5]
263. Illinois Tool Works, Inc. (23)	10.5	.72	27¼	2.6	2.40	26.0	592.3	377.6
264. Maryland National Corp. (22)	10.5	1.00	29	3.4	3.00	24.7	664.8[10]	384.2
265. Merrill Lynch & Co., Inc. (11)	10.5[7]	.80	28	2.9	1.03	77.7	6,037.8	2,078.7
266. Transco Energy Co. (10)	10.4	2.16	49½	4.4	5.27	38.7	3,644.4	867.0[5]
267. Haverty Furniture Companies, Inc. (11)	10.3	.56	22	2.5	2.31	20.8	175.5	48.8
268. SouthTrust Corp. (16)	10.3	.60	16¼	3.7	1.78	29.0	326.1[10]	202.4
269. Guardsman Chemicals, Inc. (10)	10.1	.50	11¼	4.4	1.14	39.9	83.5	24.5
270. Minnesota Mining & Manufacturing Co. (27)	10.0	3.50	76½	4.6	6.27	54.2	7,705.0	3,814.0
271. Procter & Gamble Co.[23] (36)	10.0	2.60	56⅞	4.6	3.80	68.4[9]	13,552.0	5,272.0
272. Texas Eastern Corp. (25)	10.0	2.20	34	6.5	4.04	53.5	6,194.2	1,882.2
273. American Filtrona Corp. (15)	9.9	1.40	34½	4.1	3.18[1]	39.0	106.3	45.1
274. Citicorp (27)	9.9	2.26	43	5.3	6.45	31.2	18,194.0[10]	6,466.0
275. Coca-Cola Co. (The) (23)	9.9	2.96	70¼	4.2	4.76	58.0	7,364.0	2,778.1
276. Gorman-Rupp Co. (13)	9.9	.76	18⅝	4.1	1.70	43.5	68.0	42.6
277. Grow Group, Inc.[23] (14)	9.9	.30	9½	3.2	.82	35.6[9]	274.8	61.7
278. United Companies Financial Corp. (12)	9.8	.50	21⅞	2.3	2.77	17.7	129.6[11]	43.4
279. Great Northern Nekoosa Corp. (12)	9.7	1.52	36½	4.2	4.60	31.1	1,873.3	988.6
280. Martin Marietta Corp. (14)	9.7	1.00	33	3.0	3.15	28.4	3,920.4	626.1

DIVIDEND ACHIEVERS

Rank	Company	Ten-Year Dividend Growth Rate[6]	Current Indicated Dividend	Recent Stock Price	Current Yield	Latest Earnings Per Share	1984 Payout	Annual Sales (millions)	Shareholders' Equity (millions)
281.	American National Ins. Co. (12)	9.6%	$1.08	35¼	3.1%	$8.42	11.8%	$753.4[11]	$1,169.5
282.	Houston Industries, Inc. (18)	9.6	2.64	26⅜	10.0	3.85	63.4	4,181.6	2,481.2[5]
283.	MDU Resources Group, Inc. (19)	9.6	2.72	34¾	7.8	3.75	65.9	357.2	219.4[5]
284.	TRW, Inc. (14)	9.6	3.00	80⅛	3.7	7.14	39.9	6,061.7	1,758.3
285.	Kellogg Co. (29)	9.4	1.84	61¼	3.0	3.35	50.7	2,602.4	487.2
286.	**Marine Corp. (13)**	9.4	1.40	31	4.5	4.06	30.8	267.3[10]	158.9
287.	**Beatrice Companies, Inc.[19] (15)**	9.3	1.80	41½	4.3	5.06	33.1	12,595.0	2,357.0
288.	**Huntington Bancshares, Inc. (19)**	9.3	.84	23¼	3.6	2.37	29.1	564.4[10]	317.5
289.	**Olin Corp. (10)**	9.3	1.50	33¼	4.5	3.81	35.8	2,065.3	867.3
290.	**UtiliCorp. United, Inc. (28)**	9.3	1.40	21⅝	6.5	3.05	38.2	234.3	130.9[5]
291.	SJW Corp. (19)	9.2	1.45	37	3.9	3.20	41.4	57.9	54.3[5]
292.	Society Corp. (20)	9.2	1.84	46¾	3.9	5.43	31.3	551.8[10]	354.8
293.	Chubb Corp. (21)	9.1	1.56	44½	3.5	2.35	60.7	2,033.6	894.8
294.	ONEOK, Inc.[13] (13)	9.1	2.56	28⅞	8.9	3.46	72.8	1,168.6	382.6[5]
295.	California Water Service (18)	9.0	2.60	48½	5.4	4.15	57.8	101.1	76.9[5]
296.	**E'town Corp. (10)**	9.0[7]	2.60	39½	6.6	3.40	76.5	56.4	60.6
297.	**MEM Co., Inc. (13)**	9.0	.60	17	3.5	1.45	39.0	75.9	36.5
298.	**Reynolds (R.J.) Industries, Inc. (14)**	9.0	1.40	25¾	5.4	2.80[3]	46.4	12,974.0	4,977.0
299.	**Southern Indiana Gas & Electric Co. (26)**	9.0	1.80	24⅜	7.4	3.32	49.8	282.0	189.3[5]
300.	**BayBanks, Inc. (27)**	8.9	2.45	52¾	4.6	5.88	36.6	498.5[10]	267.8
301.	Elder-Beerman Stores Corp.[19] (12)	8.9	.22	21½	1.0	2.36	8.5	311.9	50.5
302.	FMC Corp. (12)	8.9	2.20	62⅞	3.5	7.52	25.3	3,429.8	959.8
303.	Hormel (Geo. A.) & Co.[15] (18)	8.9	.54	20⅝	2.6	1.54	33.8	1,454.5	283.4
304.	Teco Energy, Inc. (26)	8.8	2.36	31⅛	7.6	3.72	58.1	716.6	654.5[5]
305.	Insilco Corp. (10)	8.7	1.00	17½	5.7	1.82	52.3	786.9	270.3
306.	**American Controlled Industries, Inc. (13)**	8.6[7]	1.00	48⅞	2.0	3.43	29.2	27.9	24.7
307.	**Borden, Inc. (12)**	8.6	1.52	43¼	3.5	3.57	37.1	4,568.0	1,367.9
308.	**Dominion Bankshares Corp. (25)**	8.6	1.20	32	3.8	3.25	34.2	421.8[10]	236.8
309.	**Labatt (John) Ltd.[21] (13)**	8.6	1.02	27⅛	3.8	2.74	33.4	2,803.0	449.3
310.	**Public Service Co. of N.M. (15)**	8.6	2.88	27⅝	10.4	3.11	91.6	445.3	913.2[5]
311.	Stride Rite Corp.[16] (11)	8.6[7]	.80	17⅝	4.5	.72	—	289.5	105.7
312.	Texas Industries, Inc.[22] (23)	8.6	.80	29½	2.7	2.17	34.8	343.7	181.9
313.	Marshall & Ilsley Corp. (12)	8.4	2.24	74¼	3.0	6.62	31.6	350.1[10]	253.9
314.	Parker-Hannifin Corp.[23] (29)	8.4	1.12	32⅛	3.5	3.06	36.6[9]	1,460.0	577.2
315.	First National Cincinnati Corp. (14)	8.3	1.40	36¼	3.9	3.00	40.3	261.2[10]	220.8
316.	**Valley Bancorporation (18)**	8.3	1.08	30	3.6	3.12	32.7	112.1[10]	64.7
317.	**Federated Dept. Stores, Inc.[18] (14)**	8.2	2.54	58¼	4.4	6.77	34.7	9,672.3	2,544.0
318.	**U. S. Bancorp (26)**	8.2	1.00	26⅞	3.7	3.05	30.6	692.3[10]	504.7
319.	**Block Drug Co., Inc.[20] (NA)**	8.1	1.00	39	2.6	3.48	27.7	247.8	170.1
320.	**Florida Progress Corp. (33)**	8.1	2.16	26¼	8.2	2.71	76.4	1,349.5	883.5[5]
321.	Norstar Bancorp. Inc. (11)	8.1	2.40	44⅜	5.4	4.75	45.3	668.8[10]	636.7
322.	First Bank System, Inc. (23)	8.0	1.60	38⅜	4.2	4.15	35.7	2,132.8[10]	1,112.1
323.	National Fuel Gas Co.[14] (NA)	8.0	2.08	25⅝	8.1	4.10	42.0	1,104.2	295.2[5]
324.	Rochester Gas & Electric Corp. (25)	8.0	2.20	20⅛	10.9	3.64	56.0	783.9	584.9[5]
325.	Consolidated Natural Gas Co. (21)	7.8	2.32	41⅝	5.6	5.07	42.6	3,519.3	1,416.9[5]
326.	**Stanadyne, Inc. (14)**	7.8	1.00	28½	3.5	3.50	26.6	470.7	185.2
327.	**Atlanta Gas Light Co.[14] (14)**	7.7	2.52	32¾	7.7	4.50[1]	50.7	1,225.7	184.4[5]
328.	**IC Industries, Inc. (10)**	7.7	1.44	33⅝	4.3	3.17	39.1	4,233.6	1,744.8
329.	**AmSouth Bancorporation (15)**	7.6	1.40	34¾	4.0	3.48	36.8	391.1[10]	260.9
330.	**Citizens Utilities Co. (41)**	7.6	1.96	36¾[2]	5.3	2.24	80.4	251.2	312.0[5]
331.	Centel Corp. (23)	7.5	2.38	42	5.7	4.42	52.5	1,374.6	825.3
332.	Continental Bancorp, Inc. (19)	7.5	1.94	36⅞	5.3	4.13	45.3	373.4[10]	263.3
333.	Bell Canada Enterprises, Inc. (14)	7.4	2.28	30	7.6	4.03	54.1	10,578.7	6,316.9[5]
334.	Penney (J.C.) Co., Inc.[18] (14)	7.4	2.36	46¾	5.0	5.81	39.8	13,451.0	3,812.0
335.	Southwestern Public Service Co.[13] (17)	7.4	1.88	23¾	7.9	2.57	69.1	806.5	511.2[5]
336.	**Texas Utilities Co. (39)**	7.4	2.52	27	9.3	4.15	55.9	3,932.2	3,573.1[5]
337.	**New England Electric System (10)**	7.3	3.60	43¼	8.3	6.04	56.3	1,485.7	888.4[5]
338.	**Consumer Water Co. (28)**	7.2	1.60	30	5.3	2.45	52.2	64.9	40.4[5]
339.	**Squibb Corp. (14)**	7.2	1.76	69	2.6	3.68	40.2	1,886.0	1,328.4
340.	**Wisconsin Public Service Corp. (27)**	7.2	2.86	36⅝	7.8	4.27	57.1	644.2	321.6[5]
341.	AmeriTrust Corp. (28)	7.1	1.60	33¾	4.7	3.77	38.9	580.3[10]	649.4
342.	Central Vermont Public Service Corp. (10)	7.1	1.90	20⅜	9.3	3.19	57.2	155.6	126.0[5]
343.	Commerce Bancshares, Inc. (17)	7.1	2.08	56	3.7	5.90	33.6	446.6[10]	295.0
344.	NBD Bancorp, Inc. (19)	7.1	1.40	34⅛	4.1	3.95	29.1	1,285.3[10]	855.5
345.	Indiana Gas Co., Inc.[14] (10)	7.0	2.04	25¼	8.1	3.87	45.5	455.0	103.8[5]
346.	**Jaclyn, Inc.[23] (15)**	7.0	.50	12⅜	4.0	1.29	38.0[9]	46.7	17.8
347.	**Southern Union Co. (25)**	7.0	1.72	27	6.4	d1.37[3]	—	767.7	151.7[5]
348.	**Northeast Bancorp, Inc. (12)**	6.9	1.40	33⅛	4.2	2.81	42.7	182.5[10]	131.0
349.	**Hawaiian Electric Industries, Inc. (22)**	6.8	1.64	21⅜	7.7	1.13	69.9	673.3	272.2[5]
350.	**Kansas Power & Light Co. (11)**	6.7	2.96	36¾	8.1	4.80	56.5	1,480.2	495.4[5]

DIVIDEND ACHIEVERS

Rank	Company	Ten-Year Dividend Growth Rate[6]	Current Indicated Dividend	Recent Stock Price	Current Yield	Latest Earnings Per Share	1984 Payout	Annual Sales (millions)	Shareholders' Equity (millions)
351.	Monsanto Co. (13)	6.7%	$2.50	41¾	6.0%	$5.42	41.5%	$6,691.0	$3,634.0
352.	Wisconsin Electric Power Co. (25)	6.7	2.48	35⅞	6.9	4.35	51.4	1,434.7	919.0[5]
353.	Commonwealth Energy System (11)	6.6	2.52	26¾	9.4	4.75	46.7	723.6	230.4[5]
354.	Banks of Iowa, Inc. (15)	6.5	1.56	45½	3.4	2.86	54.2	175.3[10]	127.4
355.	Iowa Southern Utilities Co. (24)	6.5	3.60	45	8.0	5.62	58.4	138.5	115.3[5]
356.	**Northwest Natural Gas Co. (29)**	**6.5**	**1.44**	**17⅝**	**8.3**	**1.84**	**75.0**	**417.5**	**135.8[5]**
357.	**Public Service Co. of N. Carolina (NA)**	**6.5**	**1.80**	**20⅝**	**8.8**	**2.64**	**64.4**	**254.1**	**55.6[5]**
358.	**ALLTEL Corp. (25)**	**6.4**	**1.84**	**28¼**	**6.5**	**3.05**	**59.0**	**640.2**	**404.5[5]**
359.	**Colgate-Palmolive Co. (23)**	**6.4**	**1.36**	**27**	**5.0**	**.64[3]**	**—**	**4,910.0**	**1,232.0**
360.	**Madison Gas & Electric Co. (10)**	**6.4**	**2.28**	**25⅛**	**9.1**	**2.86**	**74.8**	**219.9**	**124.1[5]**
361.	Manufacturers Hanover Corp. (12)	6.4	3.20	36⅞	8.7	7.12	44.4	7,491.8[10]	3,287.4
362.	First Maryland Bancorp (15)	6.3	1.60	54	3.0	3.85	40.3	405.7[10]	246.4
363.	Northern States Power Co. (Minn.) (10)	6.3	3.52	46¼	7.6	5.80	53.4	1,775.6	1,140.1[5]
364.	Duke Power Co. (10)	6.1	2.60	32⅜	8.0	3.98	60.8	2,710.0	2,812.0[5]
365.	Connecticut Natural Gas Corp. (26)	6.0	2.60	29⅝	8.8	2.67	89.9	187.3	63.1[5]
366.	**First Capital Corp. (12)**	**6.0**	**1.275**	**36**	**3.5**	**3.76**	**31.9**	**179.8[10]**	**127.3**
367.	**Minnesota Power & Light Co. (15)**	**6.0**	**2.76**	**35**	**7.9**	**4.06**	**63.1**	**417.3**	**358.1[5]**
368.	**Continental Telecom, Inc. (23)**	**5.9**	**1.80**	**23⅛**	**7.8**	**2.67**	**63.7**	**2,318.9**	**1,296.9[5]**
369.	**Midwest Energy Co. (25)**	**5.9**	**2.76**	**29½**	**9.4**	**2.68**	**—**	**393.6**	**255.0[5]**
370.	**Otter Tail Power Co. (10)**	**5.9**	**2.76**	**30½**	**9.0**	**3.50**	**74.9**	**172.3**	**140.5[5]**
371.	Wisconsin Power & Light Co. (13)	5.9	2.76	36¼	7.6	4.12	61.2	575.5	345.3[5]
372.	Allegheny Power System, Inc. (25)	5.8	2.70	29½	9.2	3.61	72.7	1,721.4	1,221.4[5]
373.	Iowa-Illinois Gas & Electric Co. (11)	5.8	2.74	31½	8.7	4.13	63.0	569.0	341.8[5]
374.	Central & South West Corp. (35)	5.7	2.02	25⅛	8.0	3.43	55.4	2,766.2	2,030.3[5]
375.	Orange & Rockland Utilities, Inc. (10)	5.7	2.14	26	8.2	2.76	71.7	538.0	258.8[5]
376.	**Tenneco, Inc. (15)**	**5.7**	**2.92**	**37⅞**	**7.7**	**4.01**	**70.6**	**14,890.0**	**6,725.0**
377.	**United Telecommunications, Inc. (27)**	**5.7**	**1.92**	**21½**	**8.9**	**2.36[3]**	**79.7**	**2,145.2**	**1,711.7[5]**
378.	**GTE Corp. (15)**	**5.6**	**3.16**	**39**	**8.1**	**5.32**	**56.8**	**14,547.3**	**7,373.7[5]**
379.	**Household International, Inc. (33)**	**5.6**	**1.82**	**37⅛**	**4.9**	**4.18**	**41.0**	**8,321.5**	**1,526.7**
380.	**Niagara Mohawk Power Corp. (14)**	**5.6**	**2.08**	**18⅝**	**11.3**	**2.84**	**73.2**	**2,785.5**	**2,207.1[5]**
381.	Tambrands, Inc. (NA)	5.6	3.20	77½	4.1	5.11[1]	59.7	390.0	197.7
382.	Atlantic City Electric Co. (33)	5.3	2.58	26⅛	9.9	3.20	75.6	549.5	432.5[5]
383.	Baltimore Gas & Electric Co. (10)	5.3	1.70	21⅛	8.0	2.77	55.1	1,761.5	1,434.1[5]
384.	Iowa Resources, Inc. (15)	5.3	3.08	31⅜	9.8	4.12	72.8	481.8	324.1[5]
385.	Diversified Energies, Inc. (36)	5.2	1.40	21⅞	6.4	2.82	44.3	824.3	165.5[5]
386.	**GenCorp Inc.[16] (18)**	**5.2**	**1.50**	**50¼**	**3.0**	**.32**	**—**	**2,724.1**	**913.7**
387.	**Idaho Power Co. (15)**	**5.2**	**1.72**	**21¾**	**7.9**	**2.63**	**60.6**	**427.8**	**556.5[5]**
388.	**El Paso Electric Co. (38)**	**5.1**	**1.52**	**14**	**10.9**	**2.88**	**49.7**	**329.0**	**499.5[5]**
389.	**Southern California Water Co. (32)**	**5.1**	**1.80**	**22¼**	**8.1**	**2.18**	**75.7**	**67.4**	**35.5[5]**
390.	**Warner-Lambert Co. (33)**	**5.1[7]**	**1.48**	**34½**	**4.3**	**2.81**	**52.7**	**3,166.7**	**1,433.2**
391.	Carolina Power & Light Co. (10)	5.0	2.60	25¾	10.1	3.81	66.1	1,854.3	1,754.5[5]
392.	Public Service Electric & Gas Co. (10)	5.0	2.84	27¾	10.2	3.95	68.4	4,196.1	3,130.9[5]
393.	Tootsie Roll Industries, Inc. (NA)	5.0	.48	48⅞	1.0	3.15	12.2	93.1	44.7
394.	Washington Energy Co.[14] (13)	4.9	1.76	21½	8.2	2.26	73.5	380.8	112.1[5]
395.	Connecticut Energy Corp. (10)	4.8	1.60	18⅜	8.7	2.02	75.2	163.9	46.9[5]
396.	**Central Banking System, Inc. (NA)**	**4.6**	**.40**	**16**	**2.5**	**1.65**	**22.8**	**157.7[10]**	**55.7**
397.	**Kansas City Power & Light Co. (11)**	**4.6**	**2.36**	**20⅞**	**11.3**	**4.48**	**52.0**	**583.4**	**751.7[5]**
398.	**Cleveland Electric Illuminating (27)**	**4.4**	**2.64**	**23⅛**	**11.4**	**3.64**	**66.8**	**1,215.4**	**1,592.8[5]**
399.	**Columbia Gas System, Inc. (24)**	**4.4[7]**	**3.18**	**33⅝**	**9.5**	**4.22[3]**	**75.4**	**4,645.2**	**1,634.2[5]**
400.	**Dominion Resources, Inc. (10)**	**4.4**	**2.72**	**29¾**	**9.1**	**3.46**	**75.1**	**2,604.5**	**2,496.4[5]**
401.	SCANA Corp. (34)	3.9	2.16	24¾	8.7	3.05	66.8	1,128.4	778.3
402.	Southwestern Electric Service Co. (23)	3.9	1.88	29¼	6.4	4.05	43.0	55.2	17.3[5]
403.	Louisville Gas & Electric Co. (31)	2.9	2.52	26¾	9.4	3.79	62.8	676.3	454.9[5]

FOOTNOTES

1. *Before extraordinary item*
2. *Class B shares*
3. *Before discontinued operations*
4. *Dividend is for Dart Industries*
5. *Common Stockholders Equity*
6. *Based on dividend declaration up to 10/15/85*
7. *Dividend achiever status depends on increase in fourth quarter dividend. As of press time fourth quarter dividend not declared*
8. *Net asset value per share*
9. *1985 Dividend Payout*
10. *Interest Income*
11. *Total Income*
12. *Fiscal year ended 7/84*
13. *Fiscal year ended 8/84*
14. *Fiscal year ended 9/84*
15. *Fiscal year ended 10/84*
16. *Fiscal year ended 11/84*
17. *Fiscal year ended 12/84*
18. *Fiscal year ended 1/85*
19. *Fiscal year ended 2/85*
20. *Fiscal year ended 3/85*
21. *Fiscal year ended 4/85*
22. *Fiscal year ended 5/85*
23. *Fiscal year ended 6/85*

TOP TEN ALL-TIME DIVIDEND ACHIEVERS

The companies with the longest records of consecutive annual increases in their payouts.

COMPANY	NO. OF YEARS	COMPANY	NO. OF YEARS
Winn-Dixie Stores, Inc.	42	El Paso Electric Co.	38
Ohio Casualty Corp.	40	Diversified Energies, Inc.	36
First Kentucky National Corp.	39	Procter & Gamble Co.	36
FPL Group	39	AMETEK, Inc.	36
Texas Utilities Co.	39	Central & South West Corp.	35

DIVIDEND ACHIEVERS: AN ALPHABETICAL INDEX

Abbott Laboratories	33
Acme Electric Corp.	21
Acme United Corp.	214
Affiliated Bankshares of Colorada, Inc.	228
Affiliated Publications, Inc.	91
Albertson's Inc.	95
Alco Standard Corp.	126
Allegheny Power System, Inc.	372
Allied Bancshares, Inc.	39
Allied Capital Corp.	201
ALLTEL Corp.	358
American Brands, Inc.	236
Amer. Bldg. Maint. Inds.	178
American Business Products, Inc.	143
American Controlled Industries	306
American Express Co.	182
American Filtrona Corp.	273
American Greetings Corp.	111
American Heritage Life Investment Corp.	162
Amer. Home Products Corp.	202
American Hospital Supply Corp.	81
American National Insurance Co.	281
American Recreation Centers, Inc.	44
Amer. Water Works Co., Inc.	215
AmeriTrust Corp.	241
AMETEK, Inc.	204
AMP Incorporated	33
AmSouth Bancorporation	329
Anderson, Greenwood & Co.	150
Anheuser-Busch Cos., Inc.	163
Anixter Bros., Inc.	41
Arizona Bancwest Corp.	226
Arkla, Inc.	229
Atlanta Gas Light Co.	327
Atlantic City Electric Co.	382
Automatic Data Processing, Inc.	9
AVEMCO Corp.	30
Avery International Corp.	145
Baker, Fentress & Co.	48
Ball Corp.	140
Baltimore Gas & Electric Co.	383
Banc One Corporation	163
Banks of Iowa, Inc.	354
Banponce Corp.	251
Bard (C.R.), Inc.	158
Barry Wright Corp.	64
Baxter Travenol Laboratories	38
BayBanks, Inc.	300
Beatrice Companies, Inc.	287
Becton, Dickinson & Co.	248
Bell Canada Enterprises	333
Betz Laboratories, Inc.	15
Block Drug Co., Inc.	319
Block (H. & R.), Inc.	141
Blount, Inc.	49
Borden, Inc.	307
Borg-Warner Corp.	255
Bowl America Inc.	109
Bristol-Myers Co.	115
Brunswick Corp.	92
California Water Service Co.	295
Capital Holding Corp.	116
Carolina Power & Light Co.	391
Centel Corp.	331
Central Banking System	396
Central & South West Corp.	374
Central Vermont Public Service Corp.	342
Century Telephone Enterprises, Inc.	256
Chemed Corp.	88
Chesebrough-Pond's, Inc.	232
Chubb Corp.	293
Church's Fried Chicken, Inc.	11
Cigna Corp.	135
Cincinnati Financial Corp.	59
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Colonial Life & Accident Ins. Co.	105
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Columbia Gas System, Inc.	399
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Cross (A.T.) Co.	56
Daniel Industries, Inc.	68
Dart & Kraft, Inc.	31
Dayton-Hudson Corp.	89
Dean Foods Co.	42
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Dennison Manufacturing Co.	101
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Diebold, Inc.	77
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Dominion Resources, Inc.	400
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Dover Corp.	85
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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(10/31/85) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock	$22.32/share	$10,440	$11,907
(Index fund, capital gains and dividends reinvested)			
per cent change		+4.4%	+19.1%
Bonds			
(30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$109.72	$10,221	$10,917
ACCUMULATED INCOME		$ 91	$ 1,169
TOTAL		$10,312	$12,086
per cent change		+3.1%	+20.9%
Money Market Fund	7.15%	$10,061	$10,803
per cent change		+.6%	+8.3%
Gold	$330.70/oz.	$10,021	$ 9,503
(Krugerrands)			
per cent change		+.2%	-5.0%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$94,200	$94,500	$77,300
per cent change		-.3%	+17.9%
New House	$100,200	$104,600	$98,400
per cent change		-4.4%	+1.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

ble TV signals, as well as a rapidly expanding backlog, promise above-average profit growth over the next several years, he says. In calendar 1986, Bushnell expects earnings to climb to $1.35 a share from this year's $1.

Like technology, the drug industry has also been hurt by foreign competitors parlaying their weaker currencies into larger market shares. But with a weakening dollar, Pfizer Inc., with 52% of its business abroad, stands to improve both its sales and profits from several promising new drugs for the treatment of diabetes, arthritis and angina, he says. Bushnell expects net income to rise from an estimated $3.45 per share this year to $3.90 next.

Eli Lilly & Co., Bushnell says, has finally broken out of its long drought of new products. Its new antibiotic and diabetes drugs, together with promising developments in its biotechnology operation, have set the stage for solid profit growth, he believes. With one-third of its sales overseas, Bushnell projects Lilly's earnings will move up smartly, from $7.50 a share in calendar 1985 to $8.50 in 1986.

In the thrift industry, Bushnell believes that, with interest rates down sharply, those S&Ls that have stuck to home mortgage lending, rather than investing in chancy ventures, will clean up. H.F. Ahmanson & Co., parent of Home Savings of America, and Golden West Financial Corp., parent of World Savings & Loan Assn., are prime examples, he says. Each has widened its profit margin—the spread between the rate it pays depositors and the rate it charges borrowers—to a robust 3.5% and is racking up a glowing 40% return on equity.

Moreover, adjustable rate mortgages (versus their fixed rate loans) now account for more than 50% of their assets, a shift that will make future earnings more consistent and predictable, he adds. Bushnell expects Ahmanson's profits to rocket from $6 a share this year to $7.50 in 1986 and Golden West's to jump from $6 to $7.30 next year. —THOMAS J. MURRAY

C8650-5

A New Kind of Pension Plan

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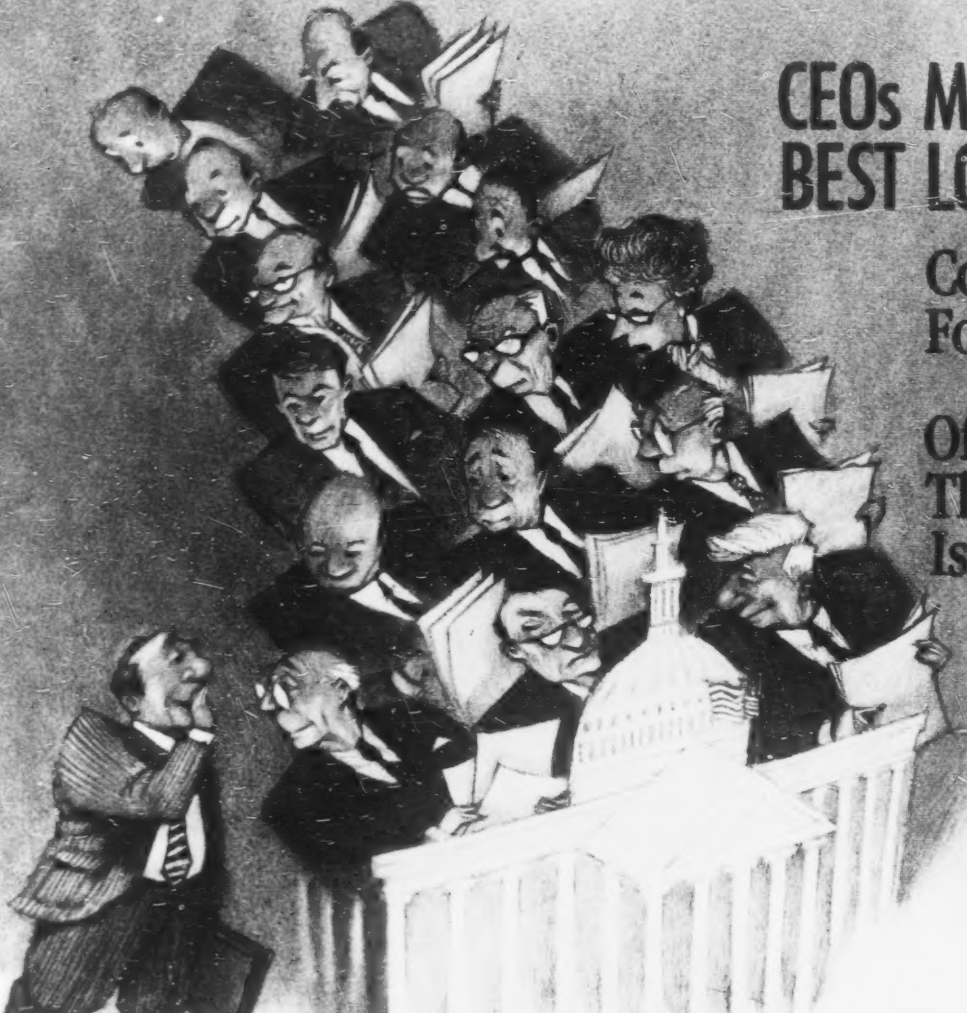

CEOs MAKE THE BEST LOBBYISTS

Comeback For Keynes?

Office Space: The Tenant Is King

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(11/29/85) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$23.87/share	$10,694	$12,862
per cent change		+6.9%	+28.6%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$113.90	$10,381	$11,349
ACCUMULATED INCOME		$ 89	$ 1,171
TOTAL		$10,470	$12,520
per cent change		+4.7%	+25.2%
Money Market Fund	7.21%	$10,059	$10,701
per cent change		+.6%	+7.0%
Gold (Krugerrands)	327.40/oz.	$ 9,900	$ 9,498
per cent change		−1.0%	−5.0%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$94,800	$95,100	$79,700
per cent change		−.3%	+15.9%
New House	$105,900	$104,100	$99,500
per cent change		+1.7%	+6.0%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

John Arnold of management consulting firm ExecuTrak Systems in Waltham, Massachusetts.

A merged company often makes the mistake of turning to its computer vendors to help it decide how best to integrate. Arnold thinks this approach is dangerous on two counts. For one thing, he says, vendors are more concerned with protecting their business than with ensuring a smooth integration. Besides that, if a vendor is dominant in the industry, management tends to go with its recommendations without really considering if they are in the company's own best interests. "Don't listen to the computer sales people, at least not until you have established your own criteria for integrating," Arnold advises. "Don't ask them to do your thinking for you."

Sometimes two merging firms arrive at a compromise whereby the dominant company allows the acquired company to keep its own system but insists on having all data-processing work duplicated on its computers. "That's like having two sets of books," Arnold says. "There's a lot of wasted effort and unnecessary expense."

Difficulties can also occur when two essentially equal merger partners set up a task force of representatives from both companies to determine the best way of integrating their computer systems. Diebold's Klein thinks a task force is a good idea, but he warns that the two sides sometimes get immersed in political jockeying and pride-of-authorship disputes. "The attitude of both organizations often is 'what we've got is the best,' so an impasse develops," he says.

No matter what approach is taken, the overriding problem in integrating systems usually boils down to management's lack of awareness or concern. "But things are beginning to change," Klein says. "I have a corporate client that has systems compatibility high on its list for evaluating possible takeovers or acquisitions. And some companies are now including MIS people on the senior management teams that evaluate merger situations."

—LATON MCCARTNEY

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Betting Billions on North Sea Oil

DUN'S BUSINESS MONTH
FEBRUARY 1986 $3.00

RETAILERS RESTRUCTURE: ZEROING IN ON THE NEW CONSUMER

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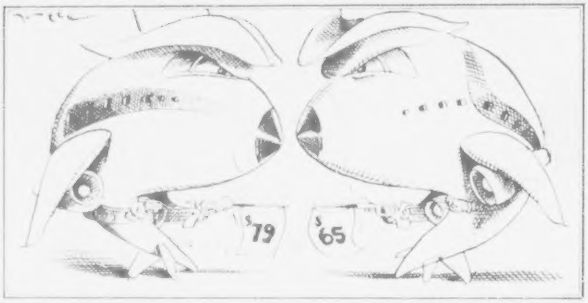

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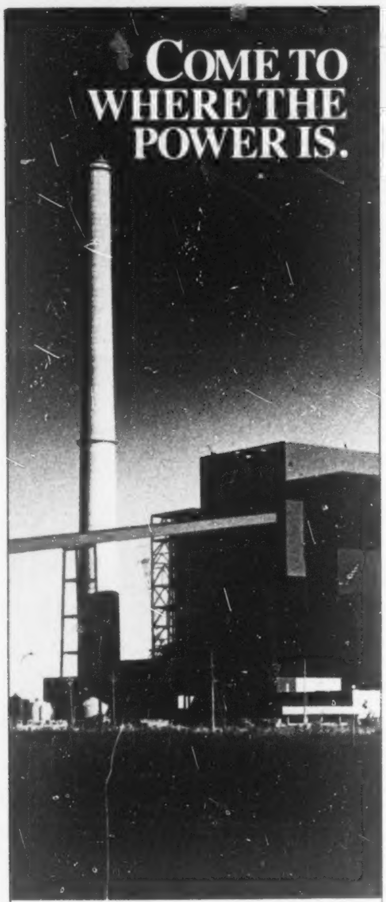

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LETTERS

ECONOMIC INDICATORS

Your article "The Leading Indicator Blues" (*November*) did not exactly cheer me up, but it does spur me on to do something to rectify the indicators' faults. However, at some points you pushed the argument too far:

1) Although the index may be overweighted towards manufacturing, seven of the twelve indicators are not oriented that way. 2) Although the index was not constructed to forecast GNP, it does in fact have a pretty good record in doing so. 3) Although the index gets revised a lot, we found that even the preliminary figures generated useful signals of recession and recovery. 4) Although the new business formation series is statistically deficient because of changes in the availability of relevant figures, it does not depend on answers to surveys.

We are beginning to work on a number of improvements in the leading index. In my view, it has served too well for too many years to abandon it now.

GEOFFREY H. MOORE
Director
Center for International
Business Cycle Research
Columbia University Graduate
School of Business
New York, N.Y.

A PLUG FOR THE COAST GUARD

The article "Transportation: Dole Confronts the Tough Issues" (*November*), while informative, made only one casual mention of the Coast Guard. The Coast Guard deserves better, as it constitutes a rather large segment of the Department of Transportation and is vital to this nation in carrying out law enforcement at sea, maritime safety and wartime readiness missions.

The Coast Guard is facing a severe crisis, with a proposed $230 million reduction in its operating budget for fiscal 1986. There have been drastic cutbacks in personnel, ships, aircraft and stations. With the expansion of missions imposed on it by Congress, the consequences could be serious.

RALPH J. DIVERIO
Maywood, N.J.

THE JOB MARKET

I enjoyed the article "Mergers Shake Up the Job Market" (*November*). The comments by the various search firms appear to be very much on target and consistent with the marketplace.

HOWARD E. REGAN
Foster City, Calif.

THE NEW WILKES-BARRE

I read with interest your article on the economic development efforts of towns of 100,000 or less ("Small Towns Plan Big," *October*). Like the cities profiled, Wilkes-Barre, Pennsylvania (population: 51,155) has aggressively jumped into the competition for new industry. The grimy-little-coal-town image is finally being shed.

EDWARD SCHECTER
Executive Director
The Committee for Economic Growth
Wilkes-Barre, Pa.

DIVIDEND ACHIEVERS

There were several errors in the "Dividend Achievers" tables in the December issue:

Premier Industrial Corp., excluded because of an error in the data base, would have ranked 91st with a growth rate of 17.6%. Central Carolina Bank was inadvertently dropped from the data base because of its recent name change to CCB Financial Corp.; it has raised its dividend for 21 consecutive years. Citizens Utilities Co., while listed in the tables, was excluded from the list of "Top Ten All-Time Dividend Achievers," where it would have ranked second with 41 years of increases.—ED.

Address Letters to LETTERS EDITOR, Dun's Business Month, 875 Third Ave., New York, N.Y. 10022

Betting Billions On North Sea Oil

While prices tumble, North Sea producers are making a huge commitment to finding new oil. They expect it to pay off, too.

by David Fairlamb

While world oil prices plummet and pessimists warn of a coming price war, European and American oil companies are pouring more money than ever before into exploring and developing new oil fields in the climatically inhospitable, expensive-to-exploit North Sea. According to recent estimates, a record-breaking £8 billion-plus will be spent between now and 1990 to bring new fields on line in the British sector and another £3 billion will be spent in Norwegian waters.

Among other projects: Shell Oil plans to spend £2.3 billion developing the Gannet and Kittiwake fields; Shell and Exxon, a joint £910 million on the Tern field; British Petroleum and Conoco, a joint £1.4 billion on the Miller field; and Phillips Petroleum, £700 million on the Tiffany field. On top of that, North Sea companies will spend an annual £3 billion over the next five years on equipment and services to further develop their existing fields—an increase of 25% over recent levels. "We're embarking on a period of excitement and expectation offshore," says Alick Buchanan-Smith, British minister of state for energy. Kaare Kristiansen, his Norwegian counterpart, agrees.

This ambitious program, of course, seems to fly in the face of economic reason. World oil prices are tumbling precipitously and could fall to as low as $15 a barrel this spring. And over the next few years, analysts now estimate, the price of oil will average less than $22 a barrel.

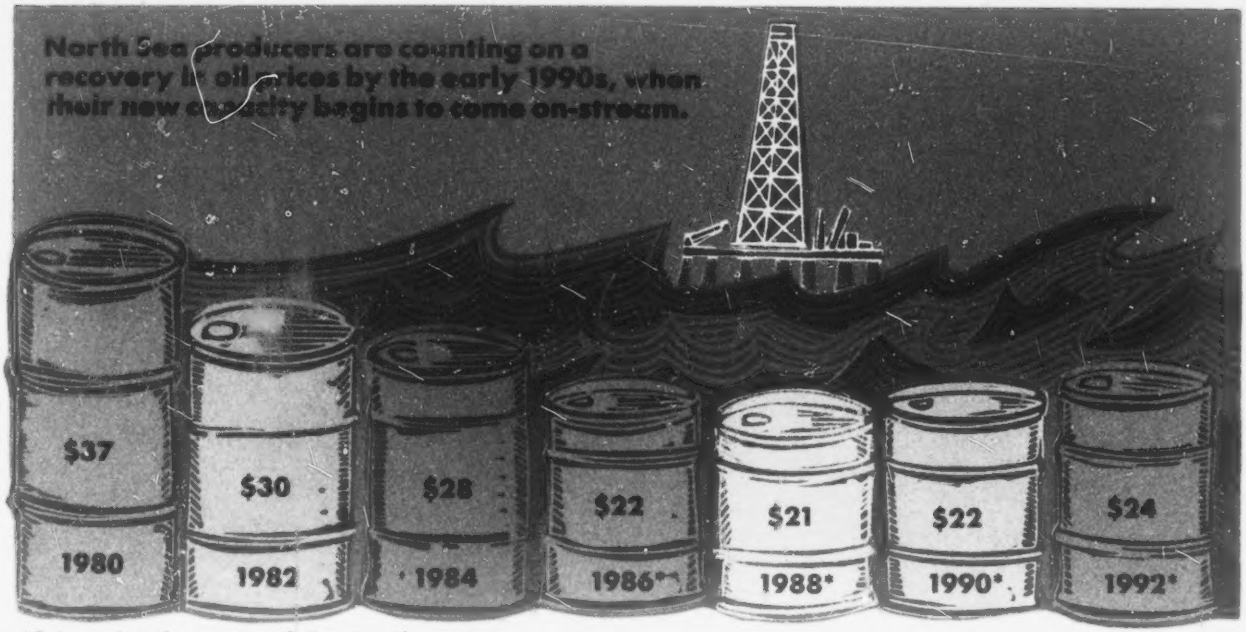
Thus, oil company margins will narrow sharply, and no area stands to be more adversely affected than the North Sea, where costs are among the highest in the world. While it costs $2-to-$5 to pump an average barrel of oil in Saudi Arabia, Indonesia and Texas, the cost mushrooms to $9 a barrel in the North Sea. And the British Department of Energy calculates that costs could rise as high as $18 a barrel for some of the new North Sea oil fields currently being developed in the deep waters of the far north on the borders of the Arctic Ocean.

Given costs like that, the whole of the North Sea is marginal, according to British oil analysts. Take the Tern field, for example. In a pessimistic scenario, oil analysts calculate that if oil is selling at $20 a barrel in 1990, Shell and Exxon would end up with a thumping £150 million loss on their new joint investment. "It frightens me to think what will happen if the Saudis push prices below the $20 level," admits one American oil executive based in Stavanger, Norway's picturesque oil capital.

Yet most of the North Sea oil companies seem confident that their current investment strategy is the right one. And ultimately they expect to realize a handsome return on investment.

Their optimisim is due partly to the financial advantages of operating in the North Sea. Although the margin between production costs and sales revenues is narrower than elsewhere, the oil companies' cost of delivery to major markets in Western Europe is relatively low. They also benefit from the comparatively attractive British and Norwegian tax and royalty structures. As the margin between costs and revenues narrows, the producers' tax and royalty payments fall too, which means that the British and Norwegian governments shoulder most of the burden of falling prices. "As long as the companies cover their operating costs, they can still make money," says Olivier Fremond, an oil analyst at London securities firm Wood, Mackenzie.

Moreover, to encourage new North Sea exploration, two years ago the British government offered the oil companies a tax holiday until 130% of their development costs are recouped, a move that



* Estimates based on average of oil analysts' forecasts.

helped kindle many of the new exploration projects. It was a big carrot in persuading Shell and Exxon to go ahead with their Tern development, says Peter Everett, managing director of Shell Expro, the joint venture set up to exploit the field.

Figures from Britain's Central Statistical Office show that North Sea companies' average return on investment hit a record 11.6% last year, despite the market's weakness. And an executive of one of the major oil companies in the region reveals: "With present prices, we average just over $1 clear on every barrel of North Sea oil we produce. That's just a few cents less than our take from most of our Middle East oil fields."

Of course, the record commitment to North Sea exploration and development is partly a strategic response to OPEC's weakness. As Sir Peter Walters, chairman of BP, explains: "The large multinationals are wresting control of oil markets from OPEC by building up supplies which they themselves control."

Humphrey Harris, oil analyst at British securities firm Fielding, Newson-Smith, further points out that it will probably be easier to market North Sea oil than Middle East oil in the buyer's market now emerging. "In a market characterized by almost total price flexibility," he contends, "political considerations could well rival commercial criteria in determining the source of a major buyer's crude supplies."

But the key factor that most of the oil companies take into account in shaping their investment policies is a recovery in oil prices. Most oil analysts believe that prices will begin to recover at the end of the decade *(chart)*—as demand picks up, first in the developing world and then, more critically, in the industrialized nations. Paul Holbrook, an executive at London oil consulting firm Gaffney Cline, agrees and points out that it will be five or six years before most of the new North Sea capacity comes on-stream. "Whatever the short-term outlook, there is no need for firms to be panicked in the long run," he says.

To be sure, this brings up the question of whether a new wave of North Sea oil will hinder the very price recovery the oil companies are counting on. A spokesman at OPEC's Vienna headquarters believes it will unless the North Sea companies cut ouput and help restore the market equilibrium. "I would rather like to see them get their comeuppance," he adds.

But most European experts predict that the accumulation of new capacity will not increase North Sea output. Current production is so high, they say, that the net effect will be to hold output more or less steady for the next decade.

In its highly respected oil industry report, The Royal Bank of Scotland forecasts that production in the Norwegian sector will edge up from last year's record 700,000 barrels a day to over 1 million, while British output should decline gradually from last year's record 2.6 million barrels a day to around 2.2 million. "Never mind what the Saudis say," comments David Gray, an energy expert at London securities firm James Capel. "Oil prices will rise or fall regardless of whether output in the North Sea varies."

Right now, with $20 oil a possibility, some oil industry executives have called for the North Sea operators to restrain output to firm prices. Typical of the response, Shell UK Chairman Robert Reed snaps: "We'll pump oil at whatever price the market dictates."

In any case, it would be politically unacceptable in either Britain or Norway to curtail output. As Kaare Kristiansen puts it: "Norway has invested enormous sums of money in its North Sea oilfields and can't shut them down to accommodate OPEC." ■

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INVESTMENT	(12/31/85) -Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$23.00 share	$10,472	$13,129
per cent change		+4.7%	+31.3%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$118.84	$10,433	$11,781
ACCUMULATED INCOME		$ 86	$ 1,165
TOTAL		$10,519	$12,946
per cent change		+5.2%	+29.5%
Money Market Fund	7.23%	$10,061	$10,771
per cent change		+.6%	+7.7%
Gold (Krugerrands)	$335.70 oz.	$10,254	$10,613
per cent change		+2.5%	+6.1%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$99,500	$95,800	$84,300
per cent change		+3.7%	+15.3%
New House	$108,400	$107,500	$102,600
per cent change		+.8%	+5.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

compound and is working on antivirals for hepatitis and shingles. The Foundation just completed the initial public offering of 25% of its shares on the London Exchange, which U.S. investors will be able to buy in May.

Despite tumbling petroleum prices, Richards also likes oils. Many British and European oil companies are no longer wholly dependent on oil because they are now highly diversified, he explains. For instance, "BP [British Petroleum Co.] is in cornmeal and shipping and many other businesses in between," he says. With estimated sales last year of £50 billion, BP is selling at a modest 7.16 P/E (recent price: £5.48) and yielding a whopping 16.6%.

Richards also recommends the recently privatized Britoil plc (1985 sales estimate: £1 billion), which is the most active explorer and production company on the U.K. continental shelf of the North Sea. The stock recently traded at £2, yields an eye-popping 26.3% at a P/E of 5.43. In the oil group, he expects that Burmah Oil plc (recently trading at £2.83) will be subject to a takeover bid in the near future.

And he thinks that the big diversified British conglomerates, such as Hanson Trust plc, which has expanded by acquisition, should continue its rapid profit growth—pretax profits tripled from March 1983 to March 1985. A darling of the London Stock Exchange, Hanson's stock recently traded at £2 to yield 10.8%; its P/E was about 13.

Richards would generally steer clear of textiles, engineering and electricals. He makes an exception for STC plc, a telecommunications and consumer electronics conglomerate, with sales in 1985 estimated at £2 billion. STC is undergoing a drastic restructuring, reducing overhead and closing its U.S. manufacturing facility in Utica, New York. Richards believes that "management is showing that determined policies can restore a firm's profitability." Recently, STC's shares fell from £2.89 to £1.04, after it sustained an operating loss in 1985's first half. The P/E is a low 5.2.

—DAVID FAIRLAMB

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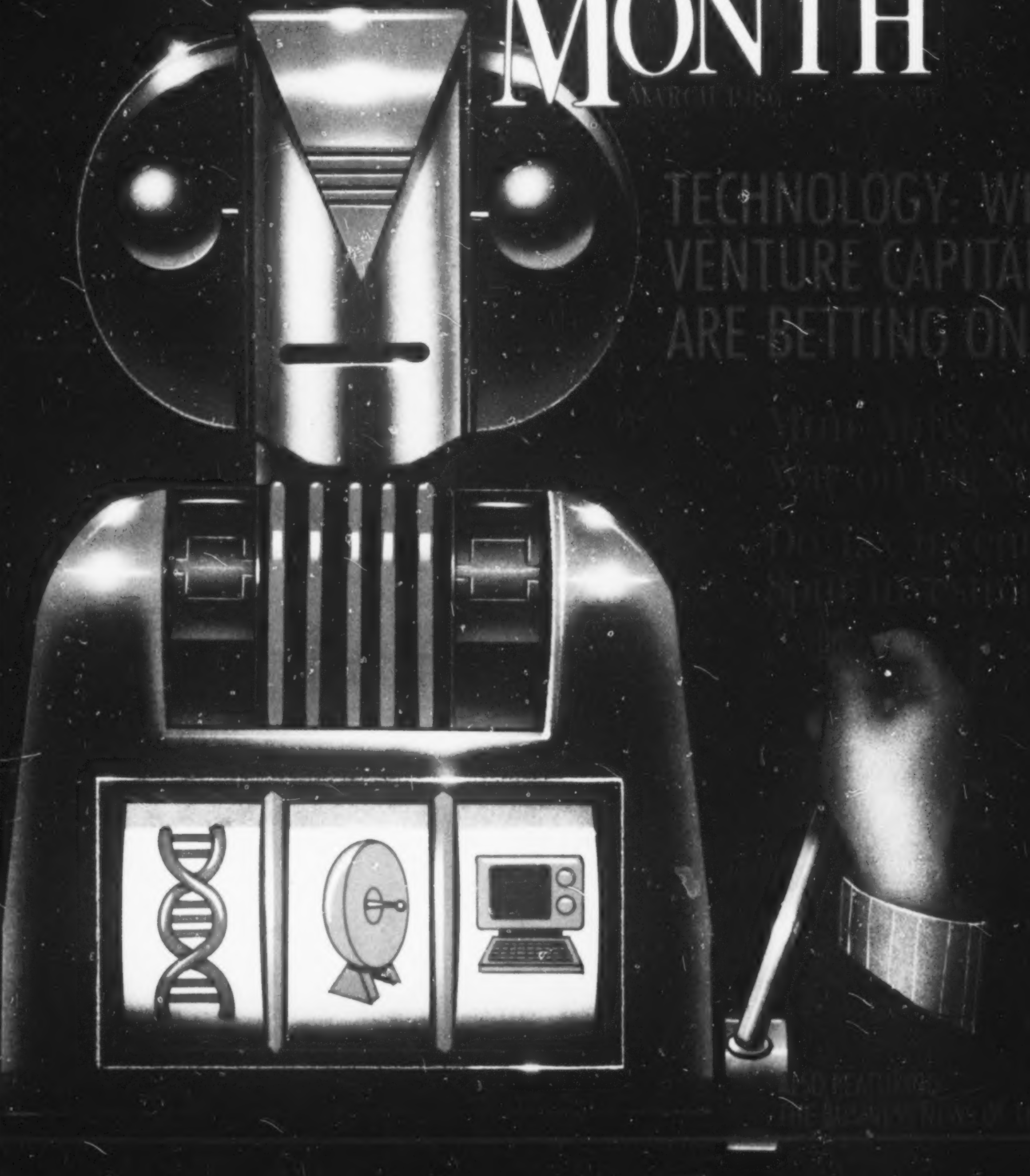
1986's Hot Senate Races

DUN'S BUSINESS MONTH

MARCH 1986



TECHNOLOGY: WHAT VENTURE CAPITALISTS ARE BETTING ON

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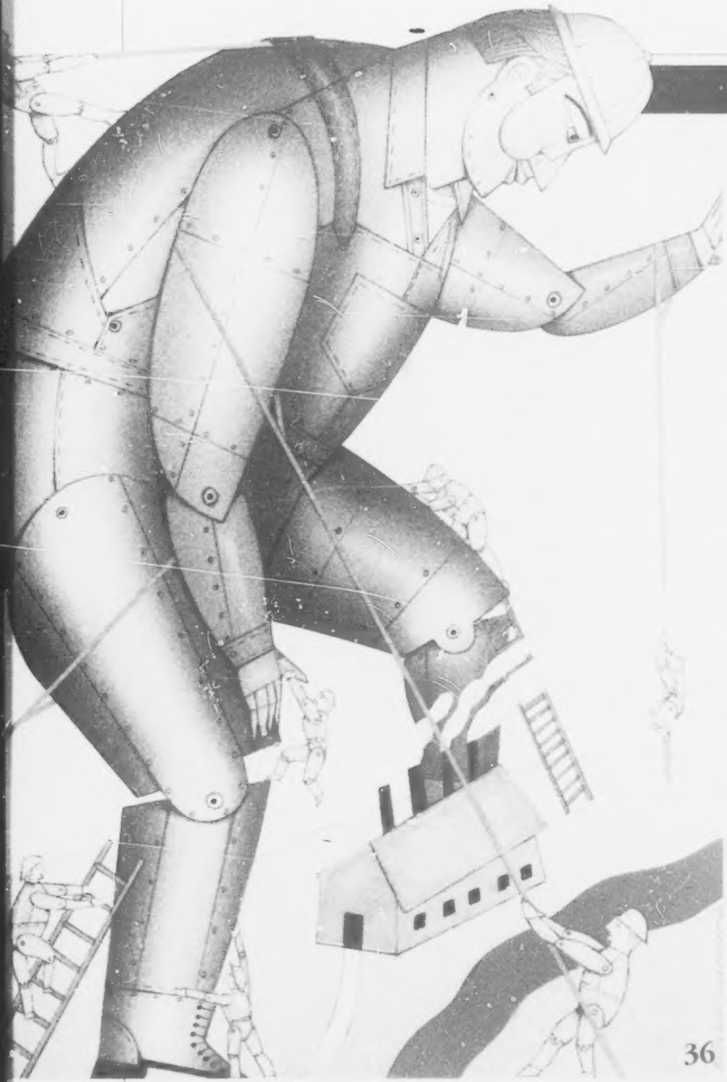

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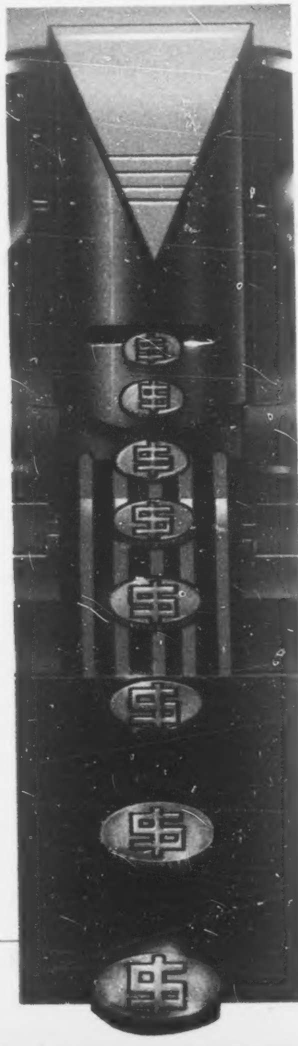

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MARKET VALUE	$118.19	$9,945	$11,468
ACCUMULATED INCOME		$ 82	$ 1,140
TOTAL		$10,027	$12,608
per cent change		+.3%	+26.1%
Money Market Fund	7.15%	$10,061	$10,763
per cent change		+.6%	+7.6%
Gold (Krugerrands)	$353.10/oz.	$10,518	$11,114
per cent change		+5.2%	+11.1%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$100,800	$100,800	$ 87,500
per cent change		0.0%	+13.2%
New House	$110,100	$111,500	$94,800
per cent change		1.3%	+13.9%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes,Inc.; Federal Home Loan Bank Board.

trends, says Lieber, is Mayflower Corp., the moving company. Falling mortgage rates are helping home sales and more families will be moving. Also, Mayflower operates the nation's largest school bus company, which stands to gain from rising elementary school enrollment. Lieber expects Mayflower earnings to move up to $2.40 a share this year versus $1.91 in 1985.

Among the winners from the falling dollar, he favors the Harper Group. The largest independent freight forwarder, Harper is a takeover possibility. Lieber figures it will earn $1.75 a share this year, up from $1.45 in 1985.

Banks, thrifts and other financial institutions make up more than 20% of his holdings. He is excited by the potential of the Nashville-area banks and thrifts. "The new Saturn auto plant will add 6,000 jobs to the central Tennessee economy," he says, "and interstate banking is coming in Tennessee, Indiana and Kentucky."

He likes Metropolitan Savings & Loan, Nashville's largest thrift, which recently went public and has been selling at 75% of book value. Lieber projects earnings of $3 a share for the fiscal year ending June 30, and $4 in fiscal 1987. Two of the larger banks, Third National and Commerce Union, both sell at premiums to book but have good growth records. Lieber estimates $2.95 a share in 1986 and $3.35 in 1987 for Third National, with $4 and $5.20 respectively for Commerce Union.

Another way Lieber picks up bargains: he jumps in after institutional investors panic and unload a stock. "We bought hundreds of thousands of Union Carbide shares after the Bhopal incident," Lieber says. The stock has since more than doubled, thanks to a takeover attempt and an announced restructuring.

Recently, Lieber has been buying Middle South Utilities. Denied a rate hike to help pay for huge cost overruns on a nuclear plant, MSU eliminated its dividend and the stock plunged from the mid-teens to less than 9. Lieber expects a compromise that will restore profitability and a reinstated, gradually increased dividend. —PHILIP SPRINGER

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DUN'S BUSINESS MONTH

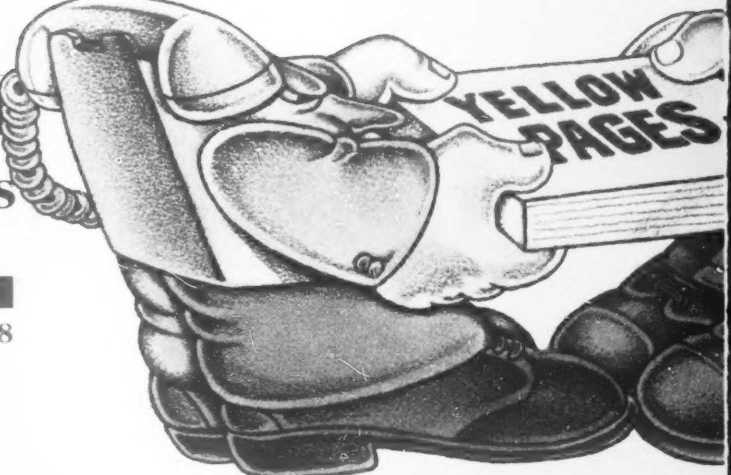
APRIL 1986 $3.00

Oil Industry: Winners and Losers

Battle of The Yellow Pages • They're Firing CEOs

IT'S A NEW GAME IN MERGERS

ALSO FEATURING: THE BUSINESS NEWS OF THE MONTH



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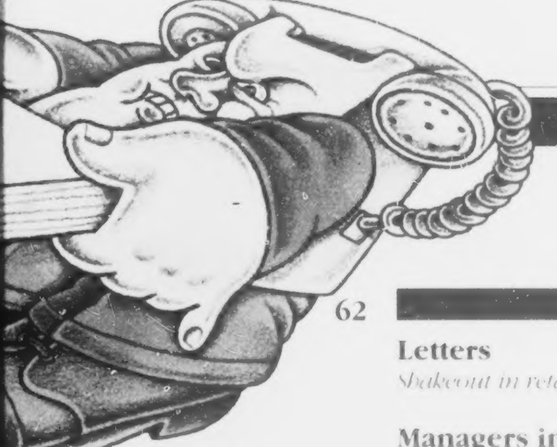

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DUN'S 5000

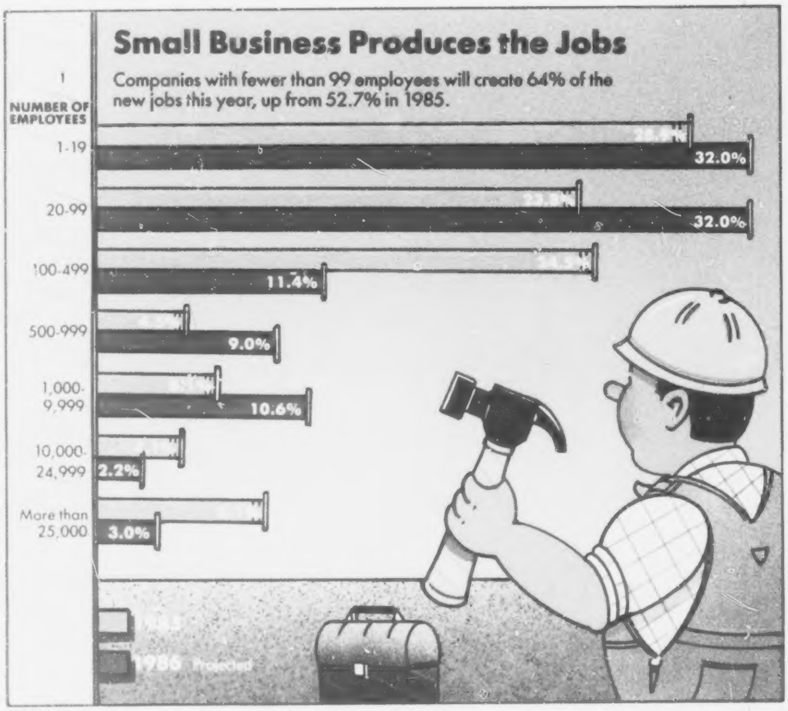
A STRONG SURGE IN NEW JOBS IN 1986

American business will create an impressive 3 million new jobs this year, according to the DUN'S 5000 survey conducted in mid-February. This is a 50% jump from the 2 million jobs created last year.

The DUN'S 5000 surveys have had an excellent record in forecasting future job growth. Last year, for example, the survey predicted that 2.25 million new jobs would be created; the actual number was 2 million. It is really not surprising that the actuality was a shade lower than the forecast, since the economy at the beginning of the year was far stronger than it was by the fourth quarter.

This year, the pace of job growth in January was exceptionally strong. There was a 749,000 increase in civilian employment, which hit nearly 109 million—approximately 1.9% above January 1985. Since the DUN'S 5000 survey was conducted at a time when many firms were stepping up hiring, this year's projected increase could also be a shade too optimistic. But given past experience, the forecast should come very close to the mark.

A breakout of the 1986 job outlook by size of firm points up a trend that has been dominant during the current recovery—and is growing steadily: Smaller companies are producing most of the new jobs (*see chart*). Firms with fewer than nineteen employees will produce 32% of the new jobs this year (up from 28.9% in 1985), while another 32% (up from 23.8% last year) will be accounted for by firms with between 20 and 99 workers. Companies with more than 25,000 employees will account for only 3% of additional employment (down from last year's 8.1%) and those with between 10,000 and 24,999 will produce only 2.2% (down from last year's 4.1%) of the new jobs.



The 1986 job surge, however, is likely to produce only a modest drop in the nation's unemployment rate, which suddenly surged to 7.3% in February. The reason: the continuous flow of new entrants into the job market. Between 1976 and 1985, the proportion of women in the labor force rose from 47.3% to 54.5%. This was a major factor in the increase in the total civilian labor force of about 2 million, or 1.7% in each of the last two years. If the 1986 increase is held to that level, unemployment would decline to 6.2%. The odds are, however, that the favorable employment prospects will attract even more workers. Thus, it is unlikely that the jobless rate will drop much below 6.5%.

A far better measure of the health of the economy is the employment/population ratio, which simply indicates the percentage of people employed in the entire population. After dropping to 57.8% during the 1981-82 recession, the ratio hit 60.1% last year. If the DUN'S 5000 projections pan out and 3 million new jobs are created this year, this key ratio could hit an all-time high of 61%. With a higher proportion of the population employed, consumer incomes—and therefore spending—should grow throughout the year, adding still more strength to the economy.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(2/28/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$24.84/share	$10,758	$13,000
per cent change		+7.6%	+30.0%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$127.44	$10,782	$13,155
ACCUMULATED INCOME		$ 83	$ 1,213
TOTAL		$10,865	$14,368
per cent change		+8.7%	+43.7%
Money Market Fund	7.11%	$10,055	$10,758
per cent change		+.6%	+7.6%
Gold (Krugerrands)	$342.00/oz	$ 9,685	$11,325
per cent change		3.2%	+13.3%
HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$100,000	$101,500	$ 88,100
per cent change		1.5%	+11.9%
New House	$112,700	$108,400	$101,800
per cent change		+3.8%	+9.7%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

bert ($3.50 a share in 1986, $4.10 next year), Johnson & Johnson ($3.15 and $4.20), Syntex ($3.15 in fiscal 1986, ending July 30, and $3.60 next year), Schering-Plough ($4.10 and $4.65) and Eli Lilly & Co. ($3.95 and $4.35).

Medium-sized companies—those with a market capitalization of $200-million-to-$600 million—recently have attracted some Bessemer money. "The very large companies are at least fairly valued," Nabi says. "With the smallest companies, you are buying an uncertain future."

He likes Loral, an electronics warfare equipment manufacturer, because "it has a super earnings record and a good balance sheet, and doesn't rely on just a few contracts." Loral is also a takeover possibility, he says, because many companies are seeking high-tech acquisitions. Nabi predicts it will earn $2.65 a share in its 1987 fiscal year, ending March 31, up from an estimated $2.15 in the current year.

Irving Bank, says Nabi, is a money-center bank with many of the attributes of a regional. "Irving is one of the few banks of its size that still owns its real estate," he says. "The stock sells at a substantial discount to its real asset value and at a low p/e multiple." He looks for $6.75 a share this year and $7.55 next.

Cross & Trecker, the largest and perhaps most sophisticated machine tool maker, should earn $1.40 a share in its current fiscal year, ending September 30, with a "quantum jump" in fiscal 1987, according to Nabi. Bell & Howell, which is moving aggressively into information technology and sells at a below-market multiple, should earn $3.10 a share and $3.50 respectively this year and next.

Bessemer also invests in special situations, such as MCA, the entertainment company. Nabi believes its assets are worth much more than the current stock price indicates and it has an excellent balance sheet. He also says that the company is "entering a period of very strong earnings momentum." He expects earnings of $3 a share this year and $3.60 in 1987, up from $2.02 in 1985. —PHILIP SPRINGER

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How the Bond Funds Rate

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Antitrust Is Not Dead

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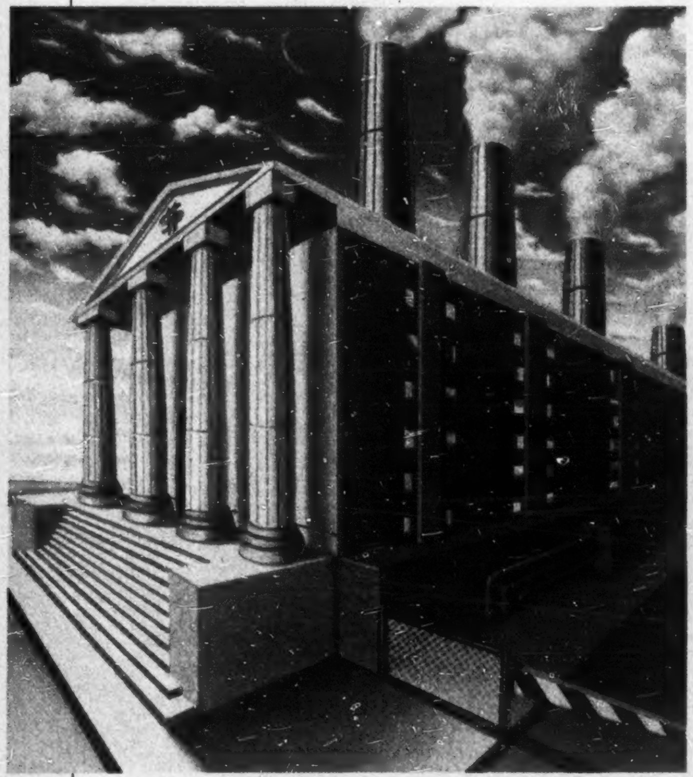

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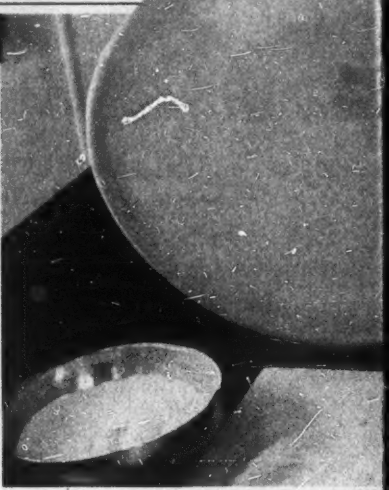

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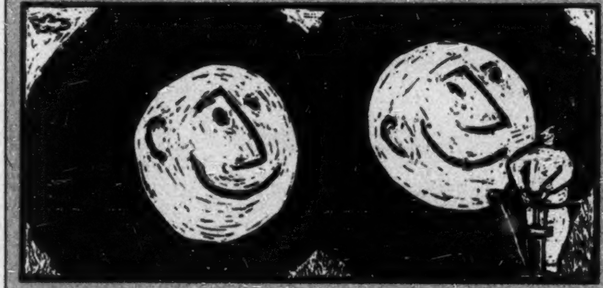

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Rating the Bond Funds

Individual investors have been cashing in on the biggest bond rally in recent memory by putting $90 billion into bond funds. A guide to picking the right fund.

by Mary Rowland

Oh what a beautiful bond rally! For the first time since most traders can remember, bond prices are going up, up and up. Indeed, since the beginning of last year, their dazzling advance has outpaced even that of stocks. "In the bond business, we're not used to all this good fortune," says Richard R. Seamans, managing director at Scudder, Stevens & Clark. "This is the sharpest and most sustained rally I've ever seen and you have to say it will keep going until the last bear is in."

Bulls and bears have been pouring into the bond market in record numbers—typically by buying bond funds. High yields lured individuals and institutions into staking almost $90 billion in bond funds last year. That was more than three times the amount invested in stock funds. And at year-end, bond fund assets stood at $141.3 billion versus $109.6 billion in equity funds.

Bond funds offer a convenient way to buy into a diversified portfolio of fixed-income securities. There are funds that invest in Treasuries, tax-exempts, mortgages, corporate bonds and junk bonds. Usually sold by well-known mutual fund organizations, many require as little as $250 minimum investment or $2,000 for Individual Retirement Accounts.

But choosing bond funds is difficult. Most investors are novices in bond investing and few funds have long track records upon which to evaluate their performance.

To help investors, DUN'S BUSINESS MONTH, using results calculated by Lipper Analytical Services, has ranked more than 250 bond funds in seventeen categories by their performance in 1985. Only funds that were started before January 1, 1985 are included. The tables rank all Ginnie Mae funds and U.S. mortgage funds and all general muncipal funds, intermediate municipals, high-yield municipals and state municipals. In other categories, the top ten performers are listed. The funds are ranked by total return (interest earned plus capital gains or losses) excluding sales or management fees.

In selecting a bond fund, there are many factors to consider:

☐ The category of bonds—taxable versus tax-exempt.

☐ The safety or creditworthiness of the issues in the fund.

☐ The maturity of the issues—whether the fund manager varies maturities according to his interest rate outlook or is restricted to a maturity category such as intermediate bonds.

☐ Investment strategy.

☐ Past performance in bull and bear bond markets.

Bond fund managers pursue different investment strategies: Some trade more than others; some buy riskier bonds; some use options or futures to enhance returns. As a result, similar funds produce widely varying results. For example, among general municipal funds last year, United Municipal Bond gained 24.25%, while Venture Municipal Plus earned a meager 5.56%.

Bond fund investors have recently gotten higher returns than they bargained for. With rates plummeting, last year the typical fund earned as much or more from capital gains as from coupon interest payments (bond prices move inversely to rates). The median performer of fifteen Ginnie Mae funds (*see tables, page 62*) gained more than 19% and the median of sixty municipal funds (*see tables, page 62*) rose more than 20%—largely tax-free.

What most investors didn't get—with a handful of exceptions—is management that outperformed the market average. Several recent surveys found that more than two-thirds of the professional managers failed to beat a broad bond-market index. After paying sales and management fees, which may run 7% and more, many investors fail to capture even the below-average returns that the managers achieve.

Because results during periods of rising and falling prices can be useful in gauging a fund's future performance, DUN'S BUSINESS MONTH bond fund

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Mary Rowland writes on business and finance from New York City.

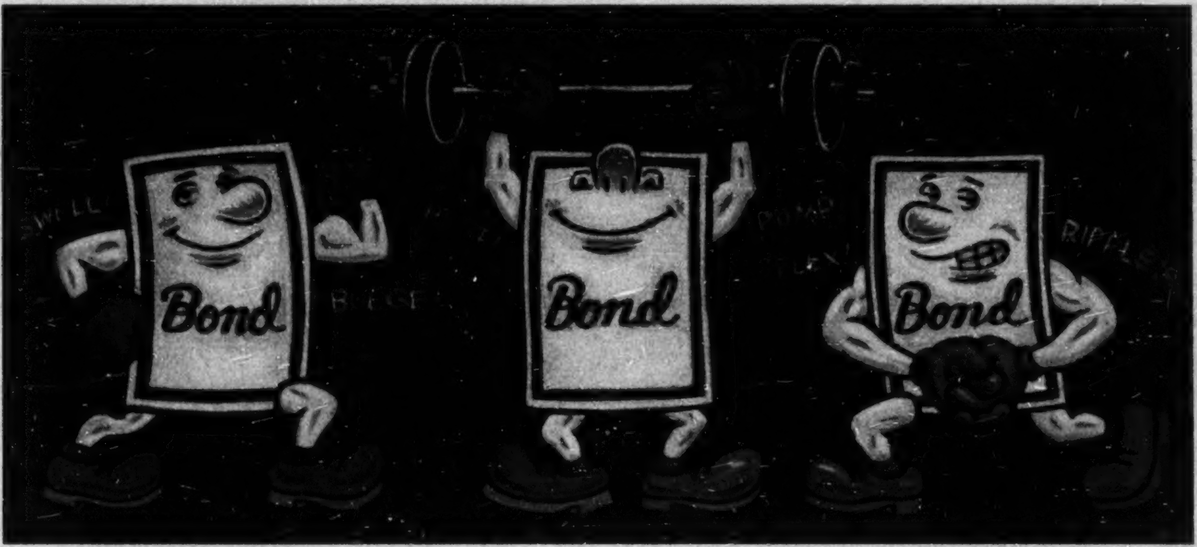


ILLUSTRATION BY DAVID COULSON

rankings also evaluate fund performance during recent bull and bear markets. Each fund's performance (based on capital gains and losses only) is compared to the average of all funds in the same category during two periods of rising bond prices—the fourth quarters of 1984 and 1985. Funds that outperformed the average during both periods are indicated by a + (plus) sign. Those that underperformed are given a – (minus) sign. Those that outperformed in one period and underperformed in the other are given a 0. The same system is used to indicate performance during two periods of declining bond prices—the second quarter of 1984 and the third quarter of 1985.

An investor should try to find a fund that performed well in the interest rate environment he is anticipating, says Robert S. Dow, director of fixed income investments at Lord, Abbett & Co. "We think rates will continue to decline over the next three to five years," he says. "Funds that perform well in a declining market will do well." But, he advises, "if you think rates will rise, look at how funds have performed in that environment."

Managers who expect rising rates buy shorter-maturity issues to stem losses. In fact, a Lipper study found that after the market went down for a quarter, fund managers shortened their maturities. If an investor wants a long-term fund because he thinks rates have peaked, it may be hard to find one. "If you want to buy long-term Treasuries, see if the portfolio is invested that way and if it can change," cautions Maureen J. Busby, vice president of Lipper Analytical Services.

While interest-rate risk is the major hazard, investors must also consider credit risk—that is, the risk of default on the bond's interest and principal payments or perception by the market that the issuer is less able to repay—which can send prices plummeting. "You want to make sure the fund is doing its own credit research," says Scudder's Seamans. The only way to find out "is to call them up and ask what kind of staff and procedures they have to do credit research."

Theoretically, risk and reward go hand in hand in determining bond performance—even more than in stocks. Usually, the creditworthiness of the issuer and the bond's maturity affect how much the price will swing in response to a change in interest rates. Given a one percentage point rise in rates, say, a short-term bond will fall much less than a long-term issue.

But in reality, some bonds don't perform according to this pattern—and last year was no exception. A good example was U.S. Governments. "Contrary to what you might expect," Busby says, "the difference in creditworthiness didn't reduce the price volatility. If people are buying governments with the perception that they are lower risk, the last couple of years wouldn't support that."

Predictably, the corporate BBB trading funds produced the wildest swings, far wider even than the junk corporate bond funds. And the convertible funds behaved more like equities than bonds, Busby says.

For municipal bond funds last year, risks and rewards correlated closely; lower-risk bonds produced slightly lower returns than higher-risk bonds. High-yield munis, however, rose less than expected. The intermediates were the most stable in price, as expected. "If you don't want lots of price volatility, you control it in the intermediate munis," Busby says, "but you give up something on the coupon."

Analysts and economists don't think the bond rally is over yet. "We anticipate that by July 4th, we'll see the long Treasury bond at 7¼%," says Stan Shipley, economist at E.F. Hutton. "We continue to see a good rally for the next three to four months."

But Shipley expects the rally to pause in the second half of the year. If that happens, bond fund investors will have to be nimble. When rates head up, all their recent profits could vanish, and those who don't move out of bond funds quickly enough might find themselves with losses. ■

DUN'S BUSINESS MONTH BOND FUND RANKINGS

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '84	NET ASSET VALUE 12/31/85
	U.S. GOVERNMENT FUNDS These funds invest exclusively in U.S. Treasury obligations.									
886.0	Lord Abbett U.S. Government	23.00%	1	52.96%	1	122.17%	1	0	–	$3.20
94.0	United Government	22.80	2					0		5.73
169.5	Aetna Income Shares N	22.44	3	51.44	2	111.65	2	+	0	13.30
16.3	Carnegie High Yield Government	22.11	4					0	0	10.43
17.2*	AMEV U.S. Government	21.04	5	39.45	9	105.86	3	–	0	10.16
139.1	John Hancock U.S. Securities	20.09	6	45.50	3	69.31	8	0	0	9.24
2005.1	Colonial Government Securities Plus	19.70	7					–		12.41
3049.8	Hutton Investment Series Government	18.66	8					–	–	10.21
51.0	Composite U.S. Government Securities	18.53	9	44.37	5			–	+	1.07
23.9	Capital Preservation Treasury Note Trust	18.21	10	42.71	7	85.43	6	+	0	11.20
	GINNIE MAE FUNDS These funds invest a minimum of 65% of their portfolio in Government National Mortgage Association securities.									
$1150.7	Kemper U.S. Government Securities	22.32%	1	49.54%	3	93.27%	4	0	0	$9.47
5.3	FPA New Income	21.31	2	49.81	2	94.07	3	+	+	9.37
1143.1	Vanguard Fixed Income N	20.88	3	50.88	1	106.09	2	+	0	9.94
1839.6	Paine Webber GNMA	20.33	4					0		10.32
6906.0	Franklin U.S. Government	20.01	5	48.13	4	111.42	1	0	0	7.52
281.0	Smith Barney U.S. Government	19.73	6							13.95
33.6	LB U.S. Government Securities	19.69	7					0		10.90
506.4	Federated GNMA Trust N	19.52	8	47.66	5			+	0	11.39
4821.1	Merrill Lynch Federal	19.48	9					0		9.98
576.9	AARP GNMA N	18.40	10							15.94
85.1	Lexington GNMA Income N	17.14	11	41.02	6	81.64	5	+	–	8.08
1498.5	Putnam U.S. Government	16.72	12					0	–	14.70
291.6	MFS Government Guaranteed Securities	16.62	13					–		10.40
14.6	Pilgrim GNMA	15.97	14					–		15.95
7447.6	Dean Witter U.S. Government N	14.00	15					–		10.53
	U.S. MORTGAGE FUNDS These funds invest a minimum of 65% of their portfolio in mortgages securities issued or guaranteed as to principal and interest by the U.S. government.									
$1810.0	Van Kampen Merritt Government	22.36%	1					0		$16.25
464.8	Fidelity Mortgage N	18.57	2							10.48
809.4	Alliance Mortgage Income	18.36	3					0	0	9.97
102.9	First Investors Government	18.03	4					–		12.24
95.2	Home Investors Guaranteed Income N	17.82	5					+	–	10.71
1469.5	Shearson Managed Government	17.08	6					–	–	13.40
568.1	Fund for U.S. Securities N	16.67	7	46.14	1	109.81	1	–	–	8.77
406.9*	National Federal Securities Trust	15.42	8							11.65
	GENERAL MUNICIPAL FUNDS These funds invest 60% or more of their assets in tax-exempt bonds issued by states and municipalities in the top four credit ratings.									
$310.8	United Municipal Bond	24.25%	1	48.32%	8	80.35%	20	+	0	$8.95
306.5	Putnam Tax-exempt Income	23.58	2	46.22	13	112.48	2	0	0	23.72
356.8	SteinRoe Tax-exempt Bond N	23.08	3	51.99	2	105.28	4	+	0	8.93
120.3	American Capital Municipal Bond	23.05	4	49.18	6	95.71	7	+	+	19.88
102.8	Financial Tax-free Income N	22.88	5	43.42	23			+	0	15.00
16.9	DMC Tax-free Income USA	22.66	6					+	+	10.71
9.5	Sigma Tax-free Bond	22.48	7	43.25	24	72.54	33	+	–	8.81
196.9	Cigna Municipal Bond	22.31	8	40.71	34	77.79	25	0	0	7.69
418.0	Elfun Tax-exempt Income N	22.01	9	51.02	4	141.02	1	0	–	10.95

Footnotes: *Asset value as of September 30, 1985. N after a fund name means there is no sales charge. NA means not applicable.
Definitions: Total Return is the increase in a fund's net asset value from interest income and capital gains or losses. Bull Market is a period of rising bond prices (and falling interest rates). Bear Market is a period of falling bond prices (and rising interest rates). Plus (+) means the fund outperformed the average of all funds in the same category during the quarters indicated. Minus (–) means the fund underperformed the average of all funds in the same category during the quarters indicated. 0 means that the fund outperformed in one period and underperformed in the other.
Source: Lipper Analytical Services

An exclusive survey of the performance of 257 bond funds. The tables rank all Ginnie Mae funds and U.S. mortgage funds and all the general municipal funds, intermediate municipals, high-yield municipals and state municipals. In other categories, the top ten performers are listed.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$83.2	NEL Tax-exempt Bond	21.92%	10	43.25%	25	100.35%	6	+	0	$7.53
135.9	SAFECO Municipal Bond N	21.61	11	47.87	9			–	–	12.76
238.6	John Hancock Tax-exempt Trust	21.54	12	42.79	30	74.61	30	+	+	10.35
32.1	Eaton Vance Municipal Bond	21.49	13	44.08	20	90.93	10	+	+	8.42
58.6	Composite Tax-exempt Bond	21.48	14	43.50	22	75.88	27	–	0	7.10
11.0	Bull & Bear Tax-free Income N	21.45	15					+	–	16.88
60.9	Seligman Tax-exempt National	21.46	16					0	0	7.71
19.8	Sears Tax-exempt Reinvestment N	21.41	17					0	+	11.40
94.0	Oppenheimer Tax-free Bond	21.38	18	56.95	1	104.82	5	+	+	8.86
503.5	Nuveen Municipal Bond N	21.36	19	45.06	17	78.32	23	–	+	8.24
486.9	Dean Witter Tax-exempt	21.29	20	49.01	7	92.66	9	0	0	10.79
166.0	Mutual Omaha Tax-free	21.25	21	42.44	31	75.28	29	+	0	10.81
55.1	National Security Tax-exempt	21.22	22	46.27	12	80.80	18	+	0	9.20
674.5	Kemper Municipal Bond	21.16	23	51.39	3	95.19	8	0	+	8.89
30.8	General Tax-exempt Bond	21.07	24					+	0	13.69
493.9	Vanguard Municipal/Long Term N	20.80	25	43.60	21	76.77	26	0	–	10.23
173.2*	Franklin Federal Tax-free Income	20.68	26					0	0	11.06
515.6	MFS Managed Municipal Bond	20.63	27	49.76	5	109.44	3	–	+	10.03
42.2	State Farm Municipal N	20.58	28	42.86	29	75.44	28	0	0	7.24
594.1	Hutton National Municipal	20.53	29					0	0	11.07
18.1	Babson Tax-free/Long N	20.38	30	43.07	26	73.09	32	+	–	9.02
434.6	Shearson Managed Municipal	20.23	31	46.68	11			+	0	14.57
649.3	IDS Tax-exempt Bond	20.20	32	45.48	16	87.46	13	+	–	3.76
902.0	Fidelity Municipal Bond N	20.09	33	43.05	28	79.44	21	0	–	7.42
660.2	Keystone Tax-free N	19.96	34	43.06	27	87.95	12	0	0	8.32
57.5	Columbia Municipal Bond N	19.78	35					–		10.82
167.3	Tax-Exempt Bond Fund America	19.77	36	41.42	32	87.38	14	+	0	10.50
102.9	Value Line Tax-Exempt/Long N	19.75	37					0	0	10.70
511.6	USAA Tax-Exempt High Yield N	19.66	38	47.12	10			0	0	12.81
1191.9	Merrill Lynch Municipal/Insured	19.56	39	45.53	15	78.86	22	–	+	7.53
26.4	Quality Tax-free Bond Portfolio	19.53	40					+	–	10.45
87.4	Bullock Tax-free Shares	19.47	41	44.46	19	83.90	15	0	–	10.41
2949.5	Dreyfus Tax-exempt Bond N	19.42	42	44.76	18	81.78	16	–	+	11.97
5.8	Selected Tax-exempt Bond N	19.37	43	37.84	37	65.67	35	0	–	12.85
472.4	Vanguard Municipal Bd. Insured/Long N	19.35	44					0		10.94
16.6	Benham National Tax Free/Long N	19.16	45					+		10.90
5.2	Country Capital Tax-Exempt Bond	19.03	46	36.01	38	67.58	34	+	–	7.78
163.2	Paine Webber Tax-exempt	19.00	47							10.45
56.8	Calvert Tax-free RSVS/Long N	18.69	48					–	0	15.80
505.2	First Investors Tax-exempt	18.50	49	45.87	14	88.64	11	–	0	9.48
154.8	Lutheran Brotherhood Municipal Bond	18.46	50	37.86	36	78.25	24	0	0	7.44
193.5	Federated Tax-free Income	18.32	51	39.15	35	81.20	17	0	0	9.58
12.8	State Bond Tax-exempt	18.21	52					–		9.93
71.0	Lord Abbett Tax-free National	18.06	53					0		10.16
574.5	Scudder Managed Municipal N	17.48	54	41.29	33	80.86	19	0	0	8.40
8.6	Security Tax-exempt	17.31	55					0	0	10.06
1168.0	T. Rowe Price Tax-free Income N	16.91	56	34.10	39	74.13	31	–	+	9.03
6.9	Fund for Tax-free Long Term N	16.24	57					+	0	10.33
67.8	Pierpont Tax-exempt Bond N	13.69	58							10.61
56.1	AARP Insured Tax-free General Bond N	10.13	59							15.57
11.0	Venture Municipal Plus N	5.56	60	23.75	40			–	+	9.94

INTERMEDIATE MUNICIPAL FUNDS

These funds invest in tax-exempt bonds that have maturities in the range of two years to twenty years.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$561.4	Vanguard Municipal/Intermediate N	17.33%	1	38.86%	3	68.12%	2	+	–	$11.38
313.9	Fidelity Limited Term Municipal N	17.31	2	41.65	1	73.11	1	+	–	8.88
159.7	USAA/Intermediate N	16.30	3	39.84	2			+	–	11.75
754.8	Dreyfus Intermediate Tax-exempt N	16.06	4					+	–	13.16
55.2	Scudder Tax-free Target Fund 1993 N	14.50	5					+	–	10.59
70.1	Benham Calif. Tax-free Trust/Intermediate N	13.99	6					0	–	10.10

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$5.7	Fund for Tax-free Investors/Intermediate N	13.11%	7					+	–	$10.26
30.7	Limited Term Municipal	12.82	8					0		12.41
6.7	Benham National Tax-free/Intermediate N	12.56	9					0		9.66
11.7	Babson Tax-free/Short N	11.10	10	26.06	4	55.63	3	+	+	10.60
30.5	Scudder Tax-free Target 1990 N	11.10	11					0	0	10.03
109.7	USAA Short-Term N	9.46	12	25.29	5			–	+	10.47
131.3	T. Rowe Price Tax-free Short-Term/Intermediate N	8.86	13					0	+	5.09
77.8	Calvert Tax-free RSVS/Limited N	8.52	14	23.85	6			–	+	10.46
11.7	Midwest Group Tax-free/Limited N	8.15	15	21.30	7			–	+	10.25
41.5	Municipal Temporary Investors/Intermediate N	7.54	16	19.70	11			–	+	10.11
2.5*	Benham National Tax-free/Short	7.28	17							9.90
30.5	Scudder Tax-free Target 1987 N	7.22	18					0	+	9.99
561.4	Vanguard Municipal/Short N	6.85	19	20.01	10	43.16	5	–	+	15.22
454.0	Merrill Lynch Municipal/Limited	6.74	20	20.47	8	43.64	4	–	+	9.75
226.0	Federated Short-Intermediate Trust N	6.55	21	20.22	9			0	+	10.18
34.5	AARP Ins. Tax-free/Short N	6.13	22							15.19

HIGH YIELD MUNICIPAL FUNDS

These funds invest in corporate bonds of below investment grade ratings (frequently labeled junk bonds). They emphasize high current yield.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$560.0	Vanguard Municipal-High Yield N	21.68%	1	47.34%	5	82.68%	6	+	–	$10.00
1640.1	Fidelity High-Yield Municipal	21.40	2	50.19	4	91.97	4	+	–	12.44
557.2	Prudential-Bache High-Yield Municipal	21.26	3	50.60	2	90.36	5	+	0	15.37
99.9	Steinroe High-Yield Muni N	21.08	4					+	0	11.10
116.7	Fidelity N.Y. Tax-Free High Yield N	20.83	5					0		11.41
655.0	Merrill Lynch Muni High Yield	20.76	6	51.49	1	94.02	1	0	–	9.86
2555.2	IDS High-Yield Tax-exempt	20.64	7	50.42	3	93.86	2	+	–	4.30
759.9	Colonial Tax-exempt High Yield	20.25	8	32.30	7	93.05	3	0	+	12.85
38.7	GIT Tax-free High Yield	17.31	9	41.23	6			0	–	10.90
276.6	MFS Managed High Yield Municipal	16.71	10					–	+	10.21
100.9	Principal Preservation Tax-exempt	7.01	11					–		9.02

CALIFORNIA MUNICIPAL FUNDS

These funds invest in tax-exempt bonds issued by localities in the State of California.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$11.7	California Municipal Fund N	22.22%	1					0		$10.67
106.4	Kemper California Tax-free Income	21.95	2					+	+	13.30
18.5	Safeco California Tax-free Income N	21.91	3					+	–	10.87
534.9	Putnam California Tax-exempt Income	20.67	4					0	+	14.58
53.6	National Securities California Tax-exempt	19.72	5					–	0	12.09
30.5	Seligman California Tax-exempt Quality	19.53	6							6.27
69.3	Shearson California Municipals	19.33	7					+		15.04
183.0	Dean Witter California Tax-free	19.03	8					+		11.41
34.5	Seligman California Tax-exempt High Yield	18.85	9							6.20
111.5	Scudder California Tax-free N	18.49	10					+	–	10.33
55.3	Pacific Horizon California Tax-exempt N	18.39	11					0	0	13.07
767.5	Dreyfus California Tax-exempt Bond	18.03	12					0	0	14.13
122.1	Benham California Tax-free Trust-Long N	17.88	13					0	–	10.43
120.6	Hutton California Municipal	17.76	14					0	0	10.39
9.0	Franklin California Tax-free Income	16.91	15	36.58	1	82.83	1	–	+	6.74
199.3	Fidelity California Tax-Free Municipal N	16.56	16					+		10.81
75.2	Prudential-Bache California Municipal N	16.37	17							10.97

NEW YORK STATE MUNICIPAL FUNDS

These funds invest in tax-exempt bonds issued by localities in the State of New York.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$1014.6	Franklin N.Y. Tax-free Income	22.28%	1	30.07%	2			+	–	$10.92
34.1	Oppenheimer N.Y. Tax-exempt	21.92	2					+		11.77
466.4	Putnam N.Y. Tax-exempt	21.14	3					0	0	15.96
124.2	Shearson N.Y. Municipals	21.02	4					+	0	15.48
43.6	Seligman Tax-exempt New York	20.89	5					0	–	7.75
967.3	Dreyfus N.Y. Tax-exempt Bond N	20.63	6					0	0	14.59
173.6	New York Municipal N	20.27	7	45.17	1			+	+	1.19

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALU 12/31/8
$58.8	Lord Abbett Tax-free New York	20.09%	8					0		$10.4
168.2	Prudential-Bache N.Y. Municipal N	19.88	9							11.1
20.4	Empire Builder Tax-free Bond	19.10	10					–		16.5
44.2	First Investors New York Tax-free	18.61	11					–		13.0
154.8	Hutton New York Municipal	18.53	12					–	0	10.6
90.7	Scudder New York Tax-free N	16.09	13					–	+	13.7
19.8	Park Avenue N.Y. Tax-exempt N	14.90	14							17.7

MASSACHUSETTS MUNICIPAL FUNDS

These funds invest in tax-exempt bonds issued by localities in the State of Massachusetts.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALU 12/31/8
$344.3	Fidelity Mass. Tax-free Municipal N	19.63%	1					0	0	$10.72
33.9	Investment Trust of Boston Mass. Tax-free Income	18.49	2					0		15.62
79.2	Seligman Tax-exempt Fund-Mass. Series	18.32	3					–	+	7.61
21.6	Prudential-Bache Mass. Municipal N	15.83	4							10.6

STATE MUNICIPAL FUNDS

These funds invest in tax-exempt bonds issued by localities in a single state.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALU 12/31/8
$52.8	Seligman Tax-exempt Michigan	21.10%	NA					0		$7.87
48.1	MFS Managed Tax-exempt Trust N.C.	19.90	NA							10.6
65.7	Seligman Tax-exempt Ohio	19.68	NA					–	0	7.61
18.0	Prudential-Bache Georgia Municipal N	18.77	NA							11.02
12.7	Prudential-Bache Ohio Municipal N	18.77	NA							10.8
48.8	Double Exempt Flexible Minn.	18.63	NA					0	–	11.12
66.2	Seligman Tax-exempt Minnesota	18.63	NA					+	–	7.51
144.1	DMC Tax-free Income Trust Pa.	17.94	NA	48.61		88.80		+	0	7.3
9.7	MFS Managed Tax-exempt Trust S.C.	17.90	NA							10.49
3.3	American Pioneer Arizona Tax-free	17.52	NA					–	+	5.2
22.9	Prudential-Bache Mich. Municipal N	17.24	NA							10.91
48.1	MFS Managed Tax-exempt Trust W.Va.	17.05	NA							10.33
26.4	Prudential-Bache Arizona Municipal N	17.00	NA							10.82
72.1	MFS Managed Tax-exempt Trust Va.	16.44	NA							10.34
4.3	Oregon Municipal Bond	16.43	NA							10.95
26.6	Kentucky Tax-free Income N	15.83	NA	40.52		52.65		–		6.43
6.1	Prudential-Bache Minn. Municipal N	15.41	NA							10.69
4.1	Prudential-Bache Oreg. Municipal N	14.84	NA							10.80
29.7	MFS Managed Tax-exempt Trust Md.	14.01	NA							10.13

GENERAL CORPORATE FUNDS

These funds invest in corporate bonds of varying investment grades.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALU 12/31/8
$55.0	U.S. Life Income	27.45%	1	66.19%	1	134.69%	2	–	–	$10.67
51.2	Drexel Bond-Debenture Trading	26.89	2	57.32	3	134.93	1	+	–	20.34
200.8	Intercap Income Securities	25.86	3	57.73	2	127.46	4	+	0	19.6
85.2	INA Investment Securities	24.36	4	53.71	6	108.22	9	0	0	18.30
386.5	National Bond	23.66	5	50.38	9	105.13	10	–	0	3.44
232.2	Keystone B-2 N	23.31	6	45.61	11	112.04	8	0	0	19.1
78.6	CNA Income Shares	23.16	7	55.29	4	117.27	6	–	0	11.47
1503.2	IDS Bond	22.92	8	54.53	5	119.13	5	0	0	5.0
18.8	Boston Co. Managed Income N	21.83	9	44.80	12	86.47	12	–	+	11.8
4.8	Country Capital Income	20.34	10	52.15	8	92.63	11	+	0	10.5

CORPORATE FUNDS A RATED

These funds invest 60% of their corporate holdings in A-rated issues or better.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALU 12/31/8
$100.0	Fort Dearborn Income Securities	31.81%	1	62.32%	1	128.87%	1	+	–	$14.6
89.0	Sigma Income Shares	27.61	2	56.37	4	112.11	7	+	0	8.7
233.8	Hutton Investment Series Bond N	26.64	3	56.55	3			+	–	12.0
450.7	Bond Fund of America	26.63	4	55.36	5	120.46	4	0	+	14.0
339.0	United Bond Fund	25.42	5	56.8	2	122.56	3	0	0	6.0
6.6	GIT A Rated Income N	25.24	6					+	+	11.0
185.8	Dreyfus A Bonds Plus N	23.31	7	49.46	14	106.14	12	+	0	14.6
26.3	Bond Portfolio for Endowments N	23.23	8	48.52	17	112.33	6	–	0	890.3
1016.2	John Hancock Bond	22.43	9	53.96	6	110.00	9	+	+	15.8
44.8	Bunker Hill Income Securities	22.27	10	41.02	25	99.97	20	–	–	17.59

CORPORATE FUNDS BBB RATED

These funds invest 60% of their corporate holdings in the top four grades of bonds.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$224.5	**American Capital Bond**	34.67%	1	67.52%	1	133.03%	1	0	+	$22.54
30.9	**Independence Square Income Securities**	27.51	2	55.67	3	114.82	5	0	–	17.39
42.1	**Axe-Houghton Income**	26.80	3	57.32	2	118.25	4	+	–	5.29
102.9	**American Capital Corporate Bond**	26.12	4	52.72	7	109.97	6	–	–	7.31
16.3	**Calvert Income N**	24.02	5	52.73	6			+	0	16.86
55.8	**MAS Fixed Income N**	23.68	6							28.64
227.2	**Paine Webber Investment Grade**	23.04	7					0		10.52
937.0	**IDS Selective**	22.88	8	55.45	4	123.61	2	–	+	8.42
15.0	**Financial Select Income N**	22.70	9	35.72	15	86.31	13	0	–	6.84
156.3	**Steinroe Managed Bonds N**	22.61	10	47.09	11	97.82	10	+	0	9.36

CORPORATE FUNDS BBB RATED-TRADING

These funds invest 60% of their corporate holdings in the top four grades of bonds. They may turn their portfolios over more than 100% a year in an attempt to increase the returns.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$82.3	**Vestaur Securities**	30.67%	1	64.11%	2	124.02%	3	+	–	$12.90
44.1	**Current Income Shares**	30.44	2	66.63	1	142.52	1	+	0	11.99
91.8	**Pacific American Income Shares**	27.89	3	61.13	3	127.84	2	+	0	16.04
300.0	**Massachusetts Financial Bond**	25.24	4	55.60	7	116.76	7	–	+	14.31
51.2	**Hatteras Income Securities**	25.23	5	58.03	4	123.11	4	+	0	17.26
154.8	**Montgomery Street Income**	24.81	6	57.01	5	119.15	6	0	+	19.34
147.0	**John Hancock Income Securities**	24.10	7	56.45	8	122.58	5	+	+	16.22
108.0	**AMEV Securities**	22.04	8	44.39	11	103.43	11	0	0	10.84
228.5	**Fidelity Flexible Bond N**	21.10	9	44.29	12	95.08	12	–	+	7.12
90.2	**Criterion Bond Investment Quality**	20.02	10	45.52	10	110.63	9	0	–	10.41

HIGH-YIELD CORPORATE FUNDS

These funds may invest in lower-rated tax-exempt bonds (frequently labeled junk bonds) for 50% of their portfolio.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$52.3	**Venture Income Plus**	28.39%	1	62.56%	3	130.86%	4	0	0	$11.31
18.3	**Financial High Yield Bond N**	26.48	2					+	+	8.37
839.3	**Fidelity High Income N**	25.55	3	64.30	2	138.26	3	+	0	9.51
504.4	**American Capital High Yield**	25.25	4	58.50	7	118.25	7	+	0	10.46
17.9	**Pacific Horizon High Yield N**	25.17	5					0	+	15.93
70.1	**Delchester Bond Fund**	23.87	6	51.97	14	111.51	13	+	–	7.81
147.1	**CIGNA High Yield**	23.48	7	59.30	6	123.85	5	+	+	10.21
568.0	**Massachusetts Financial High Income**	23.45	8	66.07	1	142.05	1	0	0	7.22
939.8	**United High Income**	23.24	9	54.03	11	115.34	9	0	0	13.82
5.7	**First Investors Special Bond**	23.18	10	56.64	8			0	+	14.19

CONVERTIBLE SECURITIES FUNDS

These funds invest in convertible bonds and convertible preferred stocks.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$33.1	**Castle Convertible**	27.76%	1	62.37%	2	163.67%	1	0	–	$31.21
83.2	**American Capital Conv. Securities**	27.72	2	62.66	1	136.19	3	0	–	28.89
55.3	**Bancroft Convertible**	27.31	3	60.24	4	86.48	6	+	+	28.75
206.9	**Putnam Conv. Income Growth Trust**	27.08	4	52.83	5	115.50	4	+	+	15.30
209.1	**American Capital Harbor**	24.21	5	50.54	6	105.02	5	0	–	13.99
77.6	**Phoenix Convertible**	21.76	6	61.15	3	137.96	2	–	+	17.79
21.6	**Convertible Yield Securities**	21.13	7	31.25	7	62.03	7	0	0	12.27

FLEXIBLE INCOME FUNDS

These funds invest in corporate bonds, preferred stocks, convertible bonds and stocks and/or common stocks and warrants.

TOTAL ASSETS (MILLIONS) 12/31/85	FUND	TOTAL RETURN/ 1 YEAR 12/31/84 to 12/31/85	Rank	TOTAL RETURN/ 3 YEARS 12/31/82 to 12/31/85	Rank	TOTAL RETURN/ 5 YEARS 12/31/80 to 12/31/85	Rank	BULL MARKET 4th quarter '84 4th quarter '85	BEAR MARKET 2nd quarter '84 3rd quarter '85	NET ASSET VALUE 12/31/85
$116.1	**Transamerica Income Shares**	28.37%	1	64.21%	2	137.86%	1	+	0	$22.05
224.0	**Wellesley Income**	27.41	2	76.25	1	136.17	2	0	0	15.31
62.4	**National Total Income**	26.67	3	64.19	3	131.22	3	0	0	7.10
.8	**Horace Mann Balanced**	26.08	4					+	+	13.71
19.5	**JP Income**	25.81	5	50.53	11	111.02	9	+	0	9.34
239.2	**Northeast Investors Trust**	25.69	6	58.11	6	128.72	4	0	0	12.68
40.4	**Eaton Vance Income of Boston**	24.99	7	59.76	5	112.21	7	+	0	9.85
217.0	**Cigna Income**	24.32	8	48.61	14	110.04	10	0	+	7.53
118.0	**Dreyfus Special Income**	23.88	9	61.66	4	91.85	16	0	0	8.30
26.1	**Eaton Vance High Yield**	22.04	10	56.81	7	112.61	6	0	0	5.22

DUN'S BUSINESS MONTH

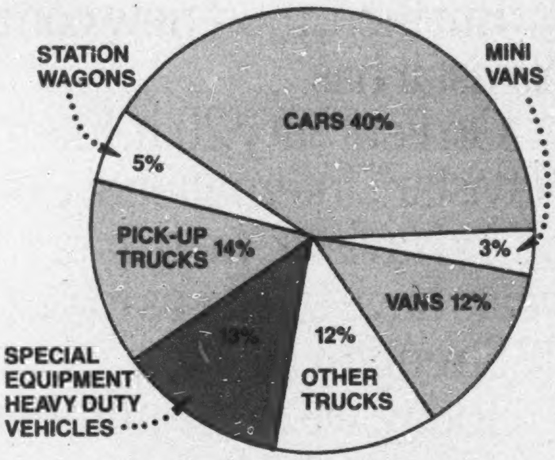
AUTO and TRUCK FLEET STATISTICS

A special Directory compiled by the Business Department

Listed below are the basic statistics on many of the most widely used automobiles, vans and light trucks in company fleets.

While reading through this Directory, note the Reader Information Number—in the far right column—of models that interest you. Literature and additional information can be obtained by just circling the number on the postage-paid card provided (on Pages 83 and 84).

All of the information you request will be sent directly to you by the automotive manufacturers.



1985 US AVERAGE FLEET COMPOSITION
Mini Vans/Vans 1986 5.7% Gains

AUTO SPECIFICATIONS

MAKE/MODEL	Class	Doors	Overall Length	Weight	Front Seat		Luggage Capacity (Cu. Ft.)	Drive Unit Front/ Rear 4-W	Engine	EPA (m.p.g.)		Reader Infor-mation Number
					Head Room (Inches)	Leg Room				City	Country	
AMERICAN MOTORS CORP.												
Renault Alliance L and DL—'87	Subcompact	4	163.8	1,955	37.1	40.8	13	Front	4 Cyl	26	30	100
AUDI OF AMERICA												
4000S—'86	Subcompact	4	176.6	2,337	38.1	40.9	12.8	Front	4 Cyl	25	30	101
5000S--'86	Mid-size	4	192.7	2,844	37.9	41.1	16.7	Front	5 Cyl	18	22	102
CHRYSLER CORP.												
CHRYSLER												
LeBaron GTC—'86	Mid-size	2	184.9	NA	37.6	42.4	14	Front	4 Cyl	22	27	103
LeBaron GTS—'86	Mid-size	4	180.3	2,715	38.3	41	18.3	Front	4 Cyl	23	25	104
DODGE												
Aries—'86	Compact	2	178.6	2,317	38.2	42.2	15	Front	4 Cyl	24	23	105
		4	178.6	2,325	38.6	42.2	15	Front	4 Cyl	24	28	
		Wagon	179	2,448	38.5	42.2	67.7	Front	4 Cyl	24	28	
Lancer—'86	Mid-size	4	180.3	2,715	38.3	41.0	18.3	Front	4 Cyl	23	25	106
Omni—'87	Subcompact	4	163	2,212	38.1	42.1	11	Front	4 Cyl	26	35	107
Shadow—'87	Compact	2/4	172	2,492	38.3	41.5	13	Front	4 Cyl	27	34	108
PLYMOUTH												
Horizon—'87	Subcompact	4	172	2,492	38.3	41.5	13	Front	4 Cyl	27	34	109
Reliant—'86	Compact	2	178.6	2,317	38.2	42.2	15	Front	4 Cyl	24	28	110
		4	178.6	2,325	38.6	42.2	15	Front	4 Cyl	24	28	
		Wagon	179	2,448	38.5	42.2	67.7	Front	4 Cyl	24	28	
Sundance—'87	Compact	2/4	172	2,492	38.3	41.5	13	Front	4 Cyl	27	34	111

AUTO SPECIFICATIONS Continued

MAKE/MODEL	Class	Doors	Overall Length	Weight	Front Seat (Inches)		Luggage Capacity (Cu. Ft.)	Drive Unit Front/ Rear 4-W	Engine	EPA (m.p.g.)		Reader Infor-mation Number
					Head Room	Leg Room				City	Country	
FORD												
LINCOLN-MERCURY												
Grand Marquis—'86	Full-size	4	214	3,782	37.9	43.5	22.4	Rear	8 Cyl	18	26	112
Lynx—'86	Subcompact	4	166.9	2,158	38.1	41.5	16.5	Front	4 Cyl	25	30	113
		Wagon	168	2,338	38.1	41.5	58.3	Front	4 Cyl	25	30	
Sable—'86	Mid-size	4	190.9	2,932	38.3	41.7	18.5	Front	4/6 Cyl	20	28	114
Topaz—'86	Compact	4	176.2	2,377	37.5	41.5	13.2	Front	4 Cyl	23	28	115
GENERAL MOTORS												
BUICK												
Century—'86	Mid-size	2/4	189.1	2,696	38.6	42.1	16.2	Front	4/6 Cyl	22	32	116
Electra Park Avenue—'86	Full-size	2/4	197	3,254	39.3	42.4	16.1	Front	6 Cyl	19	30	117
LeSabre—'86	Full-size	2/4	196.2	3,108	38.3	42.4	16.1	Front	6 Cyl	18	28	118
Regal—'86	Full-size	2	200.6	3,199	37.9	42.8	16.2	Rear	6/8 Cyl	19	24	119
Riviera—'86	Full-size	2	187.2	3,309	37.8	42.7	13.7	Front	6 Cyl	NA	NA	120
Skyhawk—'86	Compact	2/4	175.3	2,343	37.7	42.1	12.6	Front	4 Cyl	27	37	121
Skylark—'86	Compact	4	180.1	2,551	37.7	43	13.4	Front	4/6 Cyl	23	34	122
Somerset—'86	Compact	2	180	2,524	37.7	43	13.4	Front	4/6 Cyl	23	34	123
CHEVROLET												
Caprice—'86	Full-size	2	212.8	3,546	38.5	42.2	20.9	Rear	6/8 Cyl	18	23	124
		4	212.8	3,564	39.3	42.2	20.9	Rear	6/8 Cyl	18	23	
		Wagon	215.1	4,095	39.6	42.2	87.9	Rear	6/8 Cyl	16	23	
Cavalier—'86	Compact	2	172.4	2,299	37.7	42.2	13.2	Front	4/6 Cyl	23	29	125
		4	174.3	2,342	38.6	42.2	13.6	Front	4/6 Cyl	23	29	
		Wagon	174.5	2,412	38.3	42.2	64.4	Front	4/6 Cyl	23	29	
Celebrity—'86	Mid-size	2	188.3	2,689	38.6	42.1	16.2	Front	4/6 Cyl	22	32	126
		4	188.3	2,718	38.6	42.1	16.2	Front	4/6 Cyl	22	32	
		Wagon	190.8	2,851	38.6	42.1	75.1	Front	4/6 Cyl	22	31	
PONTIAC												
Grand Am—'86	Compact	2/4	177.5	2,526	37.7	42.9	13	Front	4/6 Cyl	24/20	32/26	127
Grand Prix—'86	Mid-size	2	201.1	3,231	37.6	42.8	16.4	Rear	6/8 Cyl	18/	24/	128
Parisienne—'86	Full-size	Wagon	215.1	4,095	39.6	42.2	87.9	Rear	6/8 Cyl	16/	27/	129
Pontiac 6000—'86	Mid-size	2	188.8	2,600	38.6	42.2	16.2	Front	4/6 Cyl	23/20	32/27	130
		4	188.8	2,700	38.6	42.2	16.2	Front	4/6 Cyl	23/20	32/27	
		Wagon	193.2	2,860	38.6	42.2	74.4	Front	4/6 Cyl	23/20	32/27	
Sunbird—'86	Compact	2	173.7	2,353	37.7	42.1	12.6	Front	4 Cyl	24	31	131
		4	175.8	2,412	38.5	42.2	13.5	Front	4 Cyl	24	31	
		Wagon	175.8	2,487	38.4	42.3	64.4	Front	4 Cyl	24	31	
NISSAN												
Maxima—'87	Mid-size	4	181.5	3,040	37.1	42	14.5	Front	6 Cyl	18	26	132
Sentra—'87	Compact	2,3,4	168.7	2,200	NA	NA	NA	Front	4 Cyl	28	35	133
Stanza—'87	Compact	4	173.4	2,302	38.1	43	11.4	Front	4 Cyl	26	33	134
		Wagon	170.3	2,809	38.8	39.4	80	Front	4 Cyl	23	28	
SUBURU OF AMERICA												
GL Sedan—'87	Compact	4	172	2,380	37.6	41.7	14.9	Front	4 Cyl	25	27	135

Volkswagen Golf

Chevrolet Celebrity

AUTO SPECIFICATIONS Continued

MAKE/MODEL	Class	Doors	Overall Length	Weight	Front Seat Head Room (Inches)	Front Seat Leg Room (Inches)	Luggage Capacity (Cu. Ft.)	Drive Unit Front/ Rear 4-W	Engine	EPA (m.p.g.) City	EPA (m.p.g.) Country	Reader Infor-mation Number
TOYOTA												
Camry Liftback LE—2552—'86	Compact	4+Hatch	175.6	2,414	38.8	42.4	41.3	Front	4 Cyl	26	32	136
Camry Sedan 2521—'86	Compact	4	175.6	2,414	38.8	43.4	13.6	Front	4 Cyl	28	34	137
Celica Liftback 2195—'86	Subcompact	2+Hatch	171.9	2,515	37.8	44.4	25.2	Front	4 Cyl	25	31	138
Corolla Liftback 1712—'86	Compact	5+Hatch	166.3	2,081	37.8	42.4	20	Front	4 Cyl	31	37	139
Corolla Sedan 1702–'86	Subcompact	4	166.3	2,081	38.3	42.4	12.7	Front	4 Cyl	31	37	140
Cressida Sedan 3123—'86	Compact	4	187.8	NA	38.3	42	12.7	Rear	6 Cyl	19	24	141
Cressida Wagon 3164—'86	Compact	5	189.6	NA	38.8	42	70.2	Rear	6 Cyl	19	23	142
Supra 2398—'86	Compact	2+Hatch	183.5	NA	35.5	25.4	13.8	Rear	6 Cyl	NA	NA	143
VOLKSWAGON OF AMERICA												
Quantum—'86	Compact	4	178.3	2,661	38.2	42.3	13.1	Front	5 Cyl	18 19	22 22	144
Jetta—'86	Compact	2/4	171.7	2,275	38.1	39.5	16.6	Front	4 Cyl (diesel/gas)	23 27	27 34	145
Golf—'86	Compact	2/4	158	2,137	38.1	39.5	17.9/17.6	Front	4 Cyl (diesel/gas)	23 27	27 34	146

AMC Wagoneer

THE LOCATION FACTOR

Projected Ownership and Operating Costs for Typical Midsize Car

Location	Operating Costs	Ownership Costs	Total Annual Costs
San Francisco	$1,305	$3,049	$4,354
Philadelphia	1,133	3,037	4,170
Los Angeles	1,215	2,940	4,155
Houston	1,185	2,630	3,815
Chicago	1,260	2,471	3,731
Washington, DC	1,200	2,460	3,660
Des Moines	1,083	2,378	3,464
Orlando	1,088	2,285	3,373
Albuquerque	1,110	2,242	3,352
Raleigh	1,088	2,225	3,313

Note: Table based on typical midsize 4-door sedan with automatic transmission and luxury options. Costs include operating or variable costs; fuel, oil (before recent gas price drop), tires, maintenance; and ownership or fixed costs; insurance, depreciation, financing, taxes, license fees. Factors based on 4-year, 60,000 mile retention cycle.

(Source: Runzheimer International)

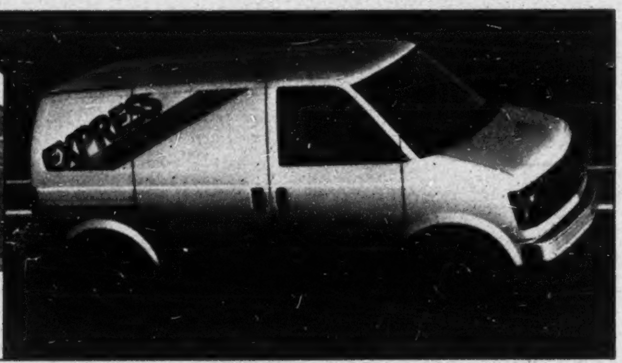
MINI VAN/VAN SPECIFICATIONS

MAKE/MODEL	Class	Doors	Overall Length (Inches)	Weight	Front Seat Head Room (Inches)	Front Seat Leg Room (Inches)	Carrying Capacity (Cu. Ft.)	No. of Passen-gers	Drive Unit Front/ Rear 4-W	Engine	EPA (m.p.g.) City	EPA (m.p.g.) Country	Reader Infor-mation Number
AMERICAN MOTORS JEEP CORP.													
Cherokee—'87	Passenger	2 & 4	165.3	2,751	38.3	41.6	71.2	5	Rear	4/6 Cyl	20	23	147
Cherokee and Wagoneer—'87	Passenger	4	165.3	2,979	38.3	41.6	71.2	5	4-W	4/6 Cyl	20	22	148
CHRYSLER CORP. CHRYSLER													
B150 Ram Van—'86	Cargo	4	196.9	1,715	36.1	NA	196.9	8	Rear	6/8 Cyl	14	17	149

MINI VAN/VAN SPECIFICATIONS Continued

MAKE/MODEL	Class	Doors	Overall Length (Inches)	Weight	Front Seat Head Room (Inches)	Front Seat Leg Room (Inches)	Carrying Capacity (Cu. Ft.)	No. of Passengers	Drive Unit Front/ Rear 4-W	Engine	EPA (m.p.g.) City	EPA (m.p.g.) Country	Reader Information Number
DODGE													
Caravan—'86	Passenger	2	175.9	3,275	39	38	125	7	Front	4 Cyl	20	23	150
PLYMOUTH													
Voyager—'86	Passenger	2	175.9	3,275	39	38	125	7	Front	4 Cyl	20	23	151
GENERAL MOTORS CHEVROLET													
Astro—'86	Cargo	5	176.8	3,959	NA	NA	NA	—	Rear	4/6 Cyl	NA	NA	152
Astro—'86	Passenger	5	176.8	NA	NA	NA	NA	8	Rear	6 Cyl	NA	NA	153
Chevy Van G10—'86	Cargo	5/6	178.2/202.2	3,784	NA	NA	NA	—	Rear	6/8 Cyl	NA	NA	154
Chevy Van G20—'86	Cargo	5/6	178.2/202.2	3,782	NA	NA	NA	—	Rear	6&8/8 Dsl.	NA	NA	155
Chevy Van G30—'86	Cargo	5/6	202.2	4,521	NA	NA	NA	—	Rear	6&8/8 Dsl.	NA	NA	156
Sport Van G10—'86	Passenger	5/6	178.2/202.2	4,070	NA	NA	NA	5	Rear	6/8 Cyl	NA	NA	157
Sport Van G20—'86	Passenger	5/6	202.2	4,240	NA	NA	NA	8	Rear	6/8 Cyl	NA	NA	158
ISUZU													
Trooper II	Special Purpose	2 & 4	175.2	3,484	40.2	39.9	79	5	Rear/ 4-W	4 Cyl	18	21	159
TOYOTA													
Cargo Van 5545—'86	Cargo	3+Hatch	173	1,845	40.2	41.5	187.2	2	Rear	4 Cyl	22	24	160
DLX Passenger Van 5125—'86	Passenger	3+Hatch	175.8	1,500	39.6	41.5	NA	7	Rear	4 Cyl	22	24	161

Isuzu P'UP



Chevrolet Astro Van

LIGHT TRUCK SPECIFICATIONS

MAKE/MODEL	Class	Doors	Overall Length	Weight	Front Seat Head Room (Inches)	Front Seat Leg Room (Inches)	Carry Capacity (Cu. Ft.)	Carry Capacity (Weight)	Drive Unit	Engine	EPA (m.p.g.) City	EPA (m.p.g.) Country	Reader Information Number
AMERICAN MOTORS JEEP CORP.													
Jeep Comanche—'87	Mid-size Pick-up	2	199.6	2,931	39.6	39.9	76.6	2,205	Rear/ 4-W	4/6 Cyl	20	23	162
CHRYSLER CORP. DODGE													
Dakota—'87	Mid-size Pick-up	2	NA	3,200	40	48	58	2,550	Rear	4/6 Cyl	18	24	163
GENERAL MOTORS CHEVROLET													
S-10—'86	Pick-up	2	194.2	3,345	39.5	42.4	NA	1,625	Rear/ 4-W	4/6 Cyl	NA	NA	164
C-10—'86	Pick-up	2	212.2	3,589	40.5	40.8	NA	2,511	Rear 4-W	6&8/8 Dsl.	NA	NA	165

LIGHT TRUCK SPECIFICATIONS Continued

MAKE/MODEL	Class	Doors	Overall Length	Weight	Front Seat (Inches)		Carry Capacity		Drive Unit	Engine	EPA (m.p.g.)		Reader Information Number
					Head Room	Leg Room	(Cu. Ft.)	(Weight)			City	Country	
ISUZU													
P'UP—'86	Small Pick-up	2	174.4	2,725	38.1	41.9	37	955	Rear/ 4-W	4 Cyl (diesel/gas)	25 19	31 23	166
NPR—'86	Lt. Truck	2	239	NA	NA	NA	NA	4,000	Rear	4 Cyl	NA	NA	167
IVECO TRUCKS OF NORTH AMERICA													
Z-120TA—'86	Lt. Truck	2	219.4	NA	36	24	78.4	6,265	Rear	6 Cyl	NA	NA	168
MAZDA													
B2000—'86	Std. Cab Truck	2	SB 182.7 LB 198.8	2,650 2,710	38.6 38.8	42.5 42.5		1,400 1,400	Rear Rear	4 Cyl 4 Cyl	22 22	27 27	169
B2000—'86	Cab-Plus Truck	2	198.8	2,770	38.6	42.4		1,400	Rear	4 Cyl	22	27	170
NISSAN													
SE King Cab—'87	Compact Pick-up	2	190	2,835	39.3	42.6	53	1,400	Rear	6 Cyl	17	24	171
E Heavy Long Bed—'87	Compact Pick-up	2	190	2,795	39.3	42.2	62	2,000	Rear	6 Cyl	17	24	172
E Regular Bed—'87	Compact Pick-up	2	174.2	2,619	39.3	42.2	53	1,460	Rear	6 Cyl	21	25	173
E King Cab—'87	Compact Pick-up	2	190	2,835	39.3	42.6	53	1,400	Rear	4 Cyl	21	25	174
TOYOTA													
½ Ton 4X4 Std. Bed—'86	Standard Pick-up	2	174.6	NA	38.1	41.5	NA	1,400	Rear/ Front	4 Cyl	20	24	175
½ Ton Std Bed—'86	Small Pick-up	2	174.6	NA	38.1	41.5	NA	1,640	Rear	4 Cyl	27	31	176
½ Ton XTRA DLX—'86	Small Pick-up	2	195.5	NA	38.5	43.7	NA	1,640	Rear	4 Cyl	23	28	177

1986 NEW CAR ACQUISITION SURVEY US COMMERCIAL FLEETS

Group	Number of Fleets	Number of Cars	Owned	Leased	Current Composition(1)				1985 Acquisitions	1986 Planned Acquisitions	Planned '86 Acquisitions by Category			
					Sub-Compact	Compact	Mid-Size	Large			Sub-Compact	Compact	Mid-Size	Large
Drug & Cosmetics	26	18,921	2,441	16,480	300	1,843	15,901	877	7,896	7,788	150	669	6,663	306
Food & Beverage	21	14,979	9,197	5,782	2	3,495	10,722	760	6,588	6,647	—	1,495	4,923	229
Chemical & Petroleum	31	18,434	8,890	9,544	120	827	11,137	6,275	5,316	6,527	40	595	4,004	1,888
Insurance	32	32,860	19,082	13,778	388	19,109	11,852	1,188	10,412	11,030	169	5,778	4,481	305
MFG-Consumer	34	22,533	14,388	8,145	30	3,102	17,030	1,621	8,602	8,698	3	680	7,494	271
MFG-Industrial	34	37,644	11,112	26,532	4	14,524	21,612	1,504	13,578	13,819	—	4,796	8,739	284
Financial	13	1,907	1,197	710	42	318	1,295	252	649	607	10	135	420	42
Totals	191	147,278	66,307	80,971	886	43,218	89,549	12,477	52,841	55,116	372	14,143	36,724	3,325

1) NAFA car categories are: *Sub-Compact,* under 99 in. wheelbase and 2,199 lb; *Compact,* 100–104 in., 2,200–2,599 lb; *Mid-Size,* 105–108 in., 2,600–3,199 lb; *Large,* over 108 in. and 3,200 lb.

Source: NAFA

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(3/31/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$26.02/share	$10,548	$13,711
per cent change		+5.5%	+37.1%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$140.18	$10,814	$14,115
ACCUMULATED INCOME		$ 76	$ 1,183
TOTAL		$10,890	$15,298
per cent change		+8.9%	+53.0%
Money Market Fund	6.96%	$10,059	$10,749
per cent change		+.6%	+7.5%
Gold (Krugerrands)	$336.10/oz.	$ 9,914	$ 9,802
per cent change		−.9%	−2.0%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$103,200	$100,800	$ 88,400
per cent change		+2.3%	+14.3%
New House	$109,200	$115,100	$91,300
per cent change		−5.4%	+16.4%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

Estimated per-share earnings are $1-to-$1.20 in the current year and $1.50 in 1987, yet the stock was recently trading at less than 7.

Black has found several bargains in Japan. Honda and Toyota, for example, "are both superior companies with good franchises, yet they have low P/E's because investors are worried about their export exposure," he says. "But each takes a long-term view and has been gaining market share in the U.S." Shares are available in this country as American Depositary Receipts (ADRs). Black predicts Honda will earn $7.50-to-$7.75 a share in 1986 and $8.25-to-$8.50 next year. Toyota's estimated share earnings this year and next: $1.70 and $1.90.

Two favorite asset plays are also Japanese companies that trade as ADRs. Mitsubishi Estate is the largest real-estate development company in Japan, with extensive holdings in Tokyo's financial district. Although the company's return on equity is only 11% now, its growth rate is 10%. The big attraction is its conservative breakup value of $200 a share, considerably above the recent ADR price of $125.

So too with Taisho Marine, a major p/c insurer whose premiums are growing at an 8%-to-9% annual rate. The company's investment portfolio is 53% invested in Japanese securities, primarily stocks. Black views Taisho Marine as "almost a closed-end fund of Japan," recently selling at a 30% discount to its estimated asset value.

Another foreign bargain is Akzo N.V., an $8 billion-sales Dutch chemical concern. "It is gradually moving away from commodity chemicals into higher-return businesses, such as specialty coatings and pharmaceuticals," explains Black. And feedstock costs are coming down dramatically because of plunging oil prices. Akzo, which returns 20% on equity, can probably keep growing at a 10%-to-11% rate, he believes. Earnings should come in at $8.45 a share this year and $9.35 next if the Dutch guilder remains at current levels. —PHILIP SPRINGER

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Detroit's New Supply Line

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Investment bankers are inventing exotic financial transactions faster than the accounting profession can write rules for reporting them. The Financial Accounting Standards Board is considering radical changes.

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Already the biggest international lenders, Japanese banks are now contending for the lead in raising money for multinationals and U.S. corporations abroad.

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The clout of this fast-expanding chain of furniture stores in the mini-markets of Dixie has scared off big competitors. Thanks to its rich territory and unique credit operation, it probably has the best earnings record in the business.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(4/30/86) Recent Price or Yield	Value of $10,000 if Invested: Month Earlier	Value of $10,000 if Invested: Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$25.67/share	$ 9,865	$13,565
per cent change		−1.4%	+35.7%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$137.81	$10,713	$13,674
ACCUMULATED INCOME		$ 70	$ 1,166
TOTAL		$10,783	$14,840
per cent change		+7.8%	+48.4%
Money Market Fund	6.58%	$10,054	$10,737
per cent change		+.6%	+7.4%
Gold (Krugerrands)	$349.20/oz.	$10,184	$11,103
per cent change		+1.8%	+11.0%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$103,100	$105,600	$ 85,200
per cent change		−2.4%	+17.4%
New House	$112,700	$108,200	$101,400
per cent change		+4.0%	+10.0%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

he thinks FCA could more than triple to 36 in two-to-three years.

Gibraltar Financial Corp. fulfills most of Frank's criteria, with a trading price equivalent to 75% of book value, a P/E of seven, and a sound 15% ROE. What's more, its record 1985 earnings of $2.13 per share are expected to be off only slightly to $2.10 this year and then to climb after that. Over the next three years, Frank anticipates a doubling of the stock price to 27.

A particular favorite of Frank's is Golden West Financial Corp., which he says has a "terrific" 33% ROE and a low 6.5 P/E. Moreover, he says, its earnings will top a record $5.83 per share in 1985 with an estimated $6 this year. The stock is a candidate for a 140% increase in price to 90 in three years or less.

Similarly, Great Western Financial Corp. has a handsome 17% ROE, a P/E of seven and "a terrific earnings growth pattern," according to Frank. This year, its per share profits are expected to jump to $7.50 from 1985's $5.97 and he looks for a better than 100% increase in the stock price to 90 in three years.

Frank also considers Chrysler "an extraordinary bargain" with its minuscule P/E of four and price/cash flow multiple of three. And its "remarkable" 39% ROE and steady earnings pattern led him to believe its stock price will more than double to 96 in three years.

General Development Corp., a Florida real-estate development firm, also attracts Frank. With a 21% ROE, a P/E of 7.5, healthy profit margins and steady earnings growth, he expects earnings this year will ascend to $3.25 a share from last year's $3.20 and the stock to double to 49 in three years.

Among the "unglamorous" stocks Frank currently favors is Johnson Industries Inc., a producer of mobile-home carpets. Its P/E of seven, 20% ROE and strong profit trend form the kind of growth pattern he likes. Earnings in 1986 should climb to $1.95 per share from last year's $1.65, according to Frank, and the stock to double to 29 by 1989.

—THOMAS J. MURRAY

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DUN'S BUSINESS MONTH

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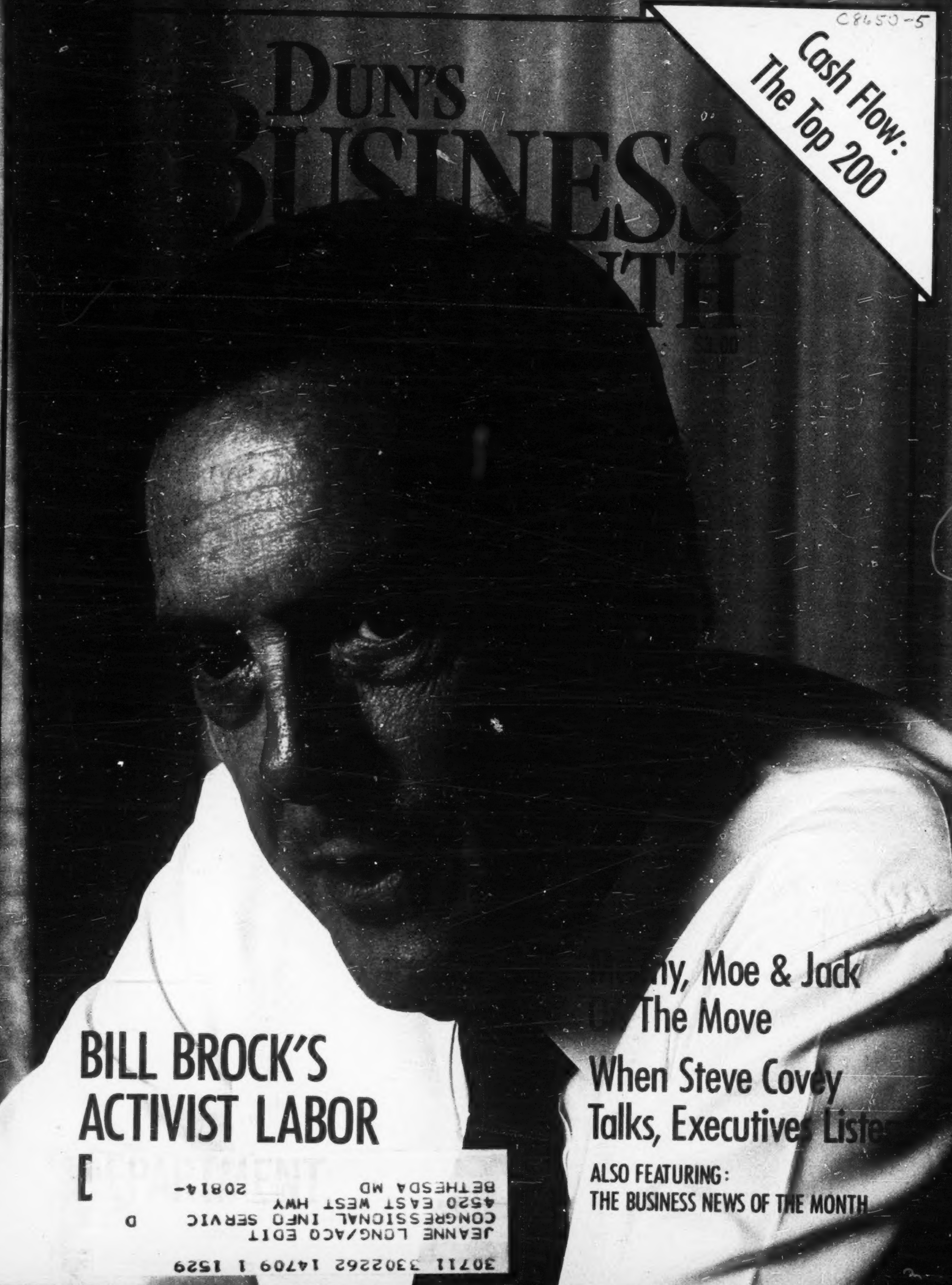
Cash Flow: The Top 200



ny, Moe & Jack
The Move

When Steve Covey
Talks, Executives Liste

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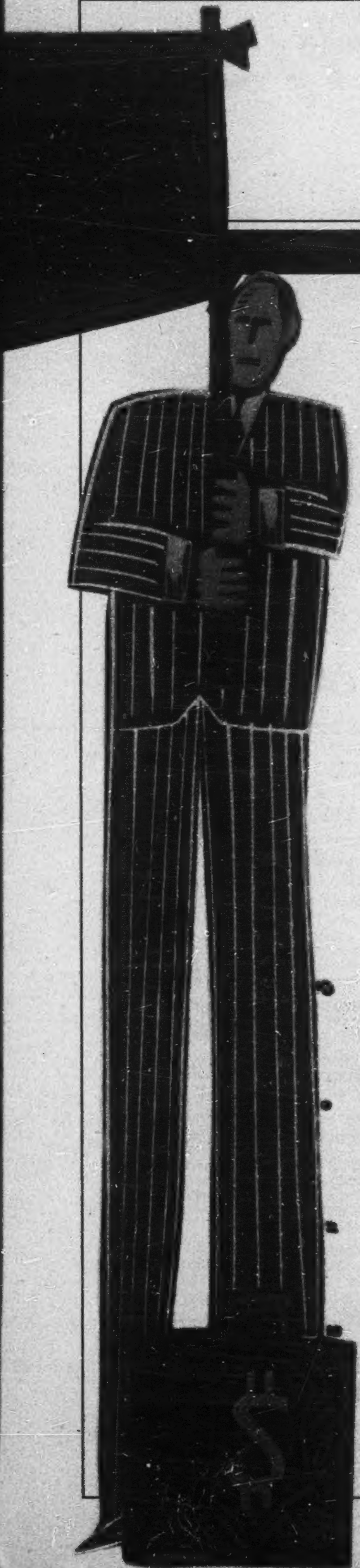

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The domination of a handful of mega-agencies is leaving smaller clients adrift and sparking concern over conflicts of interest and loss of creativity.

COVER PHOTOGRAPH BY ROE DIBONA

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Despite lackluster profits, corporate treasurers are awash in cash. So much so that they are trying new, riskier investment strategies.

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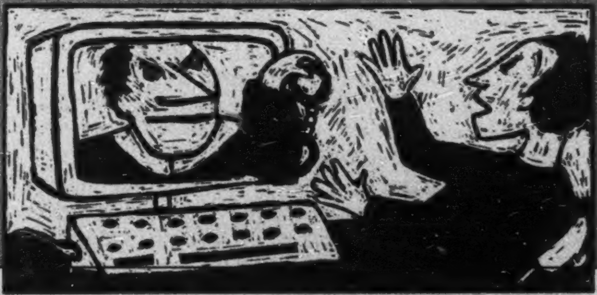

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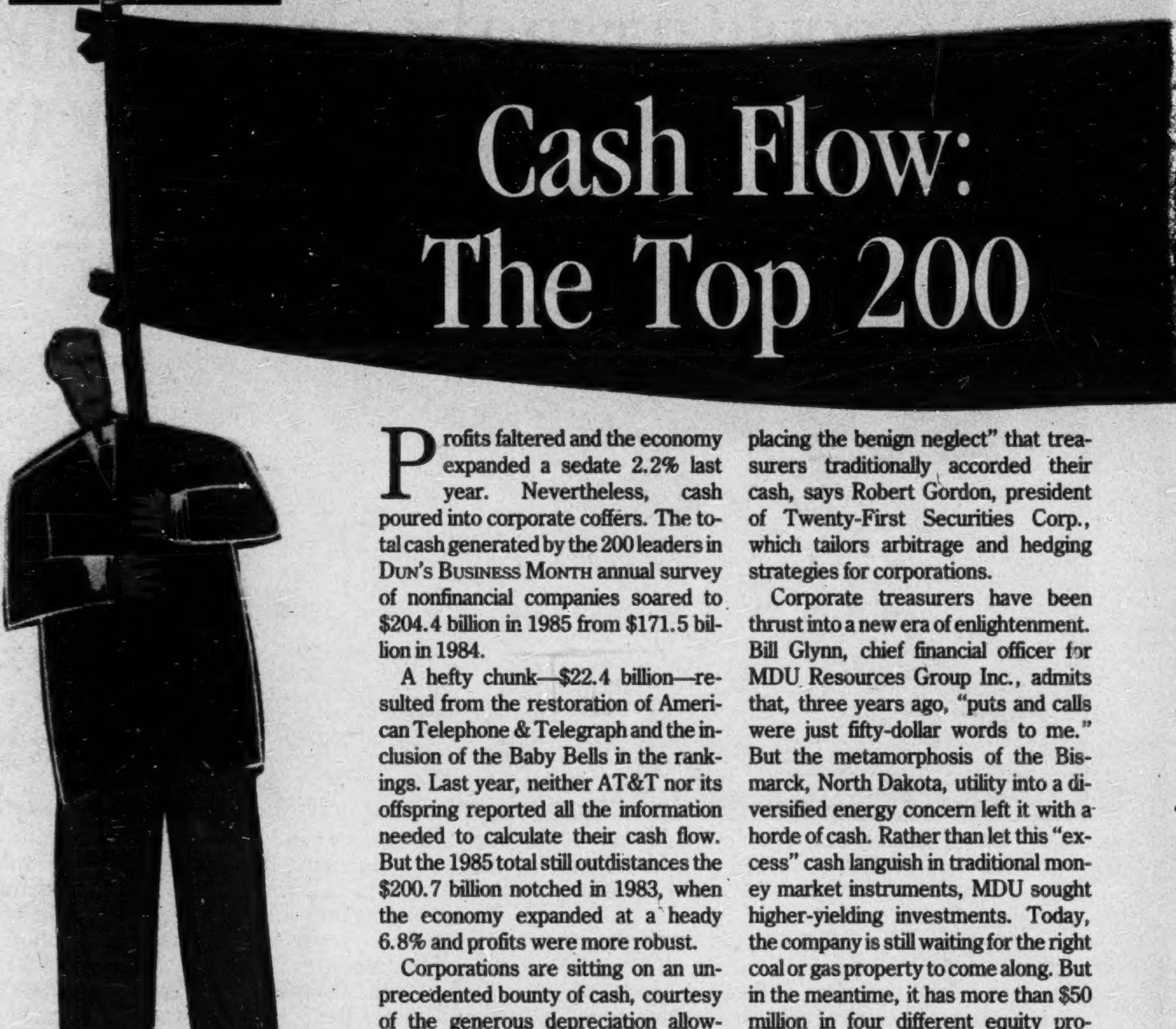


Cash Flow: The Top 200

Profits faltered and the economy expanded a sedate 2.2% last year. Nevertheless, cash poured into corporate coffers. The total cash generated by the 200 leaders in Dun's Business Month annual survey of nonfinancial companies soared to $204.4 billion in 1985 from $171.5 billion in 1984.

A hefty chunk—$22.4 billion—resulted from the restoration of American Telephone & Telegraph and the inclusion of the Baby Bells in the rankings. Last year, neither AT&T nor its offspring reported all the information needed to calculate their cash flow. But the 1985 total still outdistances the $200.7 billion notched in 1983, when the economy expanded at a heady 6.8% and profits were more robust.

Corporations are sitting on an unprecedented bounty of cash, courtesy of the generous depreciation allowances spawned by the 1984 Tax Act and weak capital spending. This cornucopia has also created something of a dilemma for corporate treasurers: how to invest it all. Returns on certificates of deposit and other traditional parking places for cash have plummeted. "If you had a division that's earning 3% [the recent aftertax return on Treasury bills], you'd probably sell it," says Bruce Lipnick, president of Wharton Asset Management Corp. "If the operating arms are making 10% or 14%, obviously the cash is underperforming."

Since corporations can't easily sell their treasury departments, they are instead scouring the markets for alternatives. "A more attentive attitude towards investment alternatives is replacing the benign neglect" that treasurers traditionally accorded their cash, says Robert Gordon, president of Twenty-First Securities Corp., which tailors arbitrage and hedging strategies for corporations.

ILLUSTRATION BY RANDALL ENOS

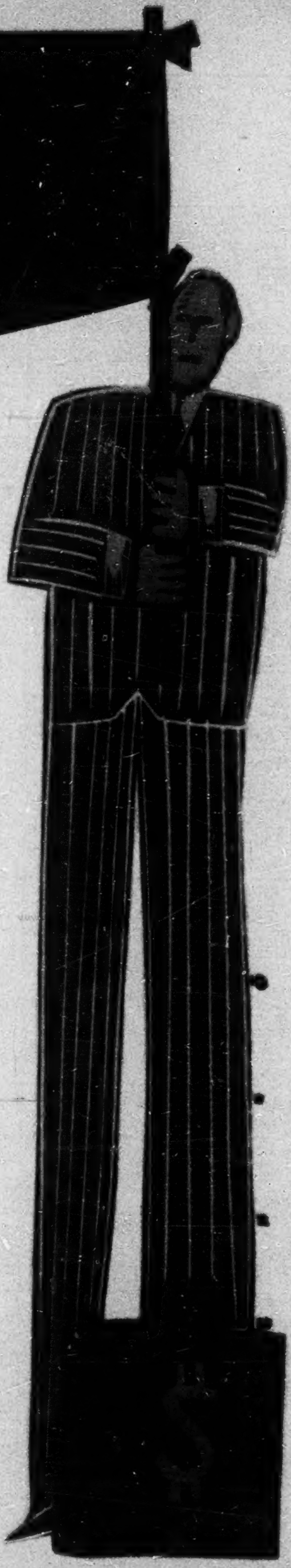
Corporate treasurers have been thrust into a new era of enlightenment. Bill Glynn, chief financial officer for MDU Resources Group Inc., admits that, three years ago, "puts and calls were just fifty-dollar words to me." But the metamorphosis of the Bismarck, North Dakota, utility into a diversified energy concern left it with a horde of cash. Rather than let this "excess" cash languish in traditional money market instruments, MDU sought higher-yielding investments. Today, the company is still waiting for the right coal or gas property to come along. But in the meantime, it has more than $50 million in four different equity programs, all of which are hedged—using stock indices and put and call options.

Financial officers like Glynn must reconcile their thirst for higher yields with their basic concern for liquidity and stability of principal. To get higher returns, however, many are assuming more risk and forfeiting instant access to every dollar.

Mounting piles of corporate cash make longer investment horizons feasible. "It makes sense to take a chance that some cash will be available on a permanent basis," says Charles H. Gunderson, treasurer of Foote, Cone & Belding Communications Inc. Pausing to reflect on the plethora of his current investments, he says, "It's sure a long way from doing overnight repos."

The cash poured into corporate coffers last year and treasurers are investing it in daring new ways.

by Elizabeth Kaplan



Companies willing to commit cash for ninety days or so are tapping a panoply of investment strategies—including program trading, auction-rate preferred stock and municipal notes. And many are uncovering a layer of cash—clearly in excess of their day-to-day and emergency needs—that will be available for a year or more. These companies have broadened the playing field to include municipal notes and bonds; straight, sinking fund and adjustable-rate preferreds; and hedged equity programs. "Then it's a question of how much volatility and how much certainty of rate of return each one has, how you can hedge the specific risks involved," says Hugh Lamle, executive vice president of M. D. Sass Investors Service, "and what combination is likely to produce the desired returns with the desired level of risk."

Among these "longer-term" investments, hedged equity programs—a.k.a. dividend capture programs or buy/write programs—have been the rage the past year and a half. The managers buy stock before the dividend is paid, collect the dividend and hold the stock at least 46 days—the minimum period required to exempt 85% of the dividend from taxation. Most managers strive for twice the aftertax annualized return on three-month Treasury bills—recently about 3.5%.

Dividend capture programs differ according to the types of stocks and the hedges they use. For example, M.D. Sass buys common stocks, sells call options on those stocks to cushion possible declines and buys puts and sells calls on the Standard & Poor's 100-stock index to "insure" the overall portfolio. Some managers use high-yielding preferred or utility stocks. They hedge with interest-sensitive futures or options on T-bills or T-bonds. But such hedges don't protect against risk to the specific equity portfolio—such as the recent Chernobyl nuclear disaster.

To pare risks further, some CFOs divide their cash. "Our strategy is to go into eight or nine programs," says Gunderson. "Our utility portfolios took a hit after Chenobyl but our municipal bond programs and adjustable-rate programs were doing well."

Starting on page 62 is DUN's roster of the top 200 nonfinancial companies ranked by the dollar value of cash flow generated from operations in 1985. In using cash flow as a yardstick of a company's financial well-being, it is important to look at its direction for more than a single year, and in conjunction with other key measures.

In this listing, DUN'S BUSINESS MONTH includes the following: cash flow generated from operations for 1985; per cent change in cash flow from 1984; net income for 1985 and the percent change since 1984; discretionary cash flow (cash flow minus capital expenditures, dividends and debt retirement) in 1985 and 1984; return on equity; the debt-to-equity ratio; revenues; and cash flow as a percent of revenues. The data is drawn from 6,400 companies in S&P's Compustat data base. Definitions of terms and footnotes are on page 68. ◆

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
1. Exxon	11,778	5.2	4,870	−11.9	−54	334	16.7	.27	86,673	13.6
2. General Motors	11,033	32.9	3,999	−11.5	−494	306	13.6	.19	96,372	11.5
3. Int'l. Business Machines	9,677	16.3	6,555	−0.4	71	94	20.5	.16	50,056	19.3
4. Chevron	6,003	61.5	1,547	0.9	1,139	−106	10.0	.60	41,742	14.4
5. American Tele. & Telegraph	5,705	NA	1,557	−13.6	−522	−7,970	9.9	.57	56,431	10.1
6. Ford Motor	5,372	−20.0	2,515	−13.5	540	2,714	20.5	.28	52,774	10.2
7. Amoco	4,806	0.5	1,953	−10.5	−181	300	16.9	.33	26,922	17.9
8. Texaco	4,617	21.7	1,233	302.9	1,470	−133	8.9	.76	46,297	10.0
9. Atlantic Richfield	4,478	−8.1	330	−70.5	−143	483	6.0	1.36	21,723	20.6
10. Mobil	4,072	−15.7	1,040	−18.0	128	651	7.4	.79	55,960	7.3
11. Du Pont (E.I.)	4,070	7.9	1,118	−21.9	90	−87	8.9	.35	29,480	13.8
12. GTE	3,705	−0.2	−161	NM	−823	−579	2.9	1.31	15,732	23.6
13. BellSouth	3,666	NA	1,418	12.8	122	NA	13.9	.73	10,664	34.4
14. American Information Tech.	2,980	NA	1,078	8.8	268	NA	14.5	.64	9,021	33.0
15. Bell Atlantic	2,842	NA	1,092	12.3	28	NA	13.8	.70	9,084	31.3
16. Standard Oil	2,783	−20.8	308	−79.3	−143	416	3.8	.46	13,002	21.4
17. NYNEX	2,765	NA	1,095	11.0	31	NA	13.1	.65	10,314	26.8
18. Chrysler	2,650	11.2	1,635	9.3	957	961	38.8	.63	21,256	12.5
19. Boeing	2,593	95.1	566	−28.1	1,870	839	13.0	.01	13,636	19.0
20. General Electric	2,592	29.2	2,336	2.5	−568	−1,517	16.8	.15	28,285	9.2
21. Southwestern Bell	2,554	NA	996	12.8	−164	NA	13.5	.78	7,925	32.2
22. Pacific Telesis	2,504	NA	929	12.1	−428	NA	12.7	.82	8,499	29.5
23. U. S. West	2,373	NA	926	4.4	−193	NA	13.3	.75	7,813	30.4
24. Sun	2,080	20.4	527	−2.0	190	−809	9.9	.51	13,769	15.1
25. Phillips Petroleum	1,871	−13.0	596	−26.0	176	373	35.0	3.52	15,636	12.0
26. Tenneco	1,691	−29.7	431	−31.7	−661	1	6.3	1.07	15,270	11.1
27. Xerox	1,622	15.9	381	1.3	262	−389	7.6	.41	8,732	18.6
28. Unocal	1,611	−20.5	325	−53.6	−291	−195	20.0	3.53	10,738	15.0
29. RJR Nabisco	1,527	−9.4	1,001	18.7	−342	414	19.0	.89	13,533	11.3
30. Burlington Northern	1,511	−15.0	633	9.3	65	563	12.8	.67	8,651	17.5
31. Occidental Petroleum	1,387	−5.7	455	−20.0	−257	−15	7.6	1.16	14,534	9.5
32. ITT	1,374	205.5	286	−5.3	404	−701	4.3	.54	11,871	11.6
33. Union Pacific	1,352	22.0	501	1.4	−142	−186	11.5	.46	7,798	17.3
34. RCA	1,336	153.6	244	−1.0	346	−663	8.6	.34	8,972	14.9
35. Santa Fe Southern Pacific	1,249	−18.6	470	−4.3	−153	47	8.2	.32	6,438	19.4
36. Amerada Hess	1,235	101.6	−260	NM	218	−628	NM	.86	7,653	16.1
37. Norfolk Southern	1,232	40.6	500	3.7	176	87	10.5	.20	3,825	32.2
38. Minnesota Mining & Mfg.	1,217	36.6	664	−9.4	−34	−43	16.6	.22	7,846	15.5
39. K mart[4]	1,179	NM	471	−5.6	371	−950	14.5	1.03	22,645	5.2
40. Goodyear Tire & Rubber	1,123	29.6	301	−26.7	−755	37	8.6	.33	9,585	11.7
41. Philip Morris	1,048	−28.7	1,255	41.3	−136	485	26.5	1.56	12,149	8.6
42. Coca-Cola	1,047	1.4	678	7.8	−114	84	22.8	.44	7,904	13.3
43. Eastman Kodak	1,040	−33.6	332	−64.0	CF	CF	5.1	.26	10,631	9.8
44. United Parcel Service	994	32.0	568	19.1	−375	−465	26.0	.06	7,687	12.9
45. Johnson & Johnson	981	11.7	614	19.3	381	290	19.3	.12	6,421	15.3
46. United Technologies	956	40.1	636	−1.3	−33	−368	15.2	.39	14,992	6.4
47. Merck	955	22.6	540	9.5	481	279	20.5	.19	3,548	26.9
48. Anheuser-Busch	922	26.1	444	13.3	175	90	20.4	.36	7,000	13.2
49. Rockwell Int'l.[5]	912	−2.8	595	19.9	125	219	20.2	.26	11,338	8.0
50. AMR	892	22.2	346	47.9	−427	20	15.5	.87	6,131	14.5

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
51. Hewlett-Packard[5]	891	29.1	489	−26.5	150	−36	12.3	.09	6,505	13.7
52. United Telecommunications	860	9.5	21	−90.4	−432	−92	1.0	1.29	3,219	26.7
53. CSX	849	−35.0	−118	NM	−651	−140	NM	.59	7,320	11.6
54. Celanese	841	249.0	178	10.6	533	−46	16.7	.48	3,046	27.6
55. McDonald's	835	11.3	433	11.3	−102	−28	19.6	.79	3,695	22.6
56. NCR	825	51.8	315	−8.0	340	133	13.6	.12	4,317	19.1
57. Caterpillar Tractor	824	−2.8	198	NM	378	515	6.5	.46	6,725	12.3
58. American Home Products	822	−4.2	717	9.4	201	310	31.3	.02	4,685	17.5
59. Procter & Gamble[5]	813	−29.5	635	−28.7	−924	−212	12.0	.24	13,552	6.0
60. Monsanto	792	−14.5	−128	NM	−164	106	NM	.82	6,747	11.7
61. Aluminum Co. of America	774	13.9	−17	NM	67	−67	−.6	.49	5,163	15.0
62. MCA	774	51.8	150	58.0	−98	−284	10.7	.06	2,099	36.9
63. MCI Communications	773	50.7	140	135.8	−288	−693	10.6	1.63	2,542	30.4
64. Georgia-Pacific	772	19.0	207	−18.2	−2	−178	8.8	.61	6,716	11.5
65. Kerr-McGee	757	47.4	137	110.8	171	−35	8.0	.43	3,345	22.6
66. Dart & Kraft	736	0.9	466	2.3	226	231	16,1	.21	9,942	7.4
67. Champion Int'l.	727	NM	163	NM	81	−462	6.1	.80	5,770	12.6
68. Contel	724	14.5	240	22.4	−7	−107	16.9	1.38	2,557	28.3
69. Delta Air Lines[5]	719	3.9	259	47.8	5	177	20.2	.55	4,684	15.3
70. Dow Chemical	714	−56.5	58	−89.4	−667	443	1.2	.76	11,537	6.2
71. Westinghouse Electric	706	0.3	605	13.0	−83	−151	18.8	.79	10,700	6.6
72. SmithKline Beckman	690	−1.6	514	2.8	CF	CF	22.7	.13	3,257	21.2
73. Abbott Laboratories	676	20.3	465	15.6	234	94	24.9	.30	3,360	20.1
74. Safeway Stores	655	48.9	231	25.0	−159	−423	14.3	.92	19,651	3.3
75. General Motors Class E	654	724.4	199	166.7	47	14	NR	.05	3,406	19.2
76. Diamond Shamrock	652	−29.7	−605	NM	−175	93	NM	.86	4,102	15.9
77. Digital Equipment[5]	644	NM	447	35.9	71	−553	10.1	.19	6,686	9.6
78. Bristol-Myers	636	31.3	531	12.5	170	75	21.7	.14	4,444	14.3
79. Pfizer	625	−6.9	580	14.1	36	289	20.0	.17	4,025	15.5
80. PepsiCo	618	−25.2	420	103.3	−447	−21	23.0	.82	8,057	7.7
81. Ryder System	617	21.5	125	6.6	−244	−525	14.3	1.68	2,905	21.2
82. Weyerhaeuser	615	−0.4	200	−11.5	−221	−56	5.2	.38	5,206	11.8
83. Honeywell	606	−6.3	275	−17.7	11	113	10.7	.32	6,625	9.2
84. Burroughs	602	41.1	248	1.4	9	−277	10.0	.39	5,038	12.0
85. CBS	600	61.3	203	−17.3	265	170	41.0	1.84	4,677	12.8
86. General Dynamics	592	−30.5	373	−2.4	132	547	27.9	.33	8,164	7.3
87. Holiday	588	57.5	141	7.9	52	26	21.3	1.89	1,805	32.6
88. Kimberly-Clark	582	80.3	267	22.8	14	−191	15.3	.36	4,073	14.3
89. Lilly (Eli)	576	−27.6	518	5.6	122	353	21.7	.23	3,271	17.6
90. Int'l. Paper	575	−17.9	131	9.1	−399	−108	3.3	.36	4,502	12.8
91. Federated Dept. Stores[4]	569	98.6	287	−13.0	59	−297	10.6	.30	9,978	5.7
92. Ralston Purina[5]	542	46.1	256	5.6	207	113	27.7	1.01	5,864	9.3
93. Hospital Corp. of America	528	−3.8	284	−4.4	−369	−71	13.6	1.34	4,152	12.7
94. Pennzoil	518	−23.1	138	−11.9	−187	171	22.4	1.39	2,225	23.3
95. Sara Lee[5]	512	115.8	206	9.5	161	−87	20.2	.61	8,117	6.3
96. Martin Marietta	506	44.8	249	41.7	131	73	34.8	.35	4,410	11.5
97. MAPCO	506	NM	104	153.9	351	−173	23.8	1.30	1,908	26.5
98. Lockheed	485	−22.1	401	16.5	CF	CF	26.5	.42	9,535	5.1
99. American Brands	482	−15.5	421	1.6	−40	179	17.0	.44	4,692	10.3
100. TRW	474	97.3	134	49.9	−109	−333	13.0	1.21	5,917	8.0

COMPANY*	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
101. Halliburton	472	−37.5	29	−91.3	−94	277	1.0	.22	4,761	9.9
102. Raytheon	462	27.0	376	10.5	−19	−177	19.5	.06	6,409	7.2
103. PPG Industries	461	−1.4	303	0.0	CF	CF	17.8	.72	4,346	10.6
104. Kellogg	450	35.7	281	12.2	90	−22	41.2	.63	2,930	15.4
105. Dayton-Hudson[4]	445	66.3	284	9.4	−53	−159	14.6	.49	8,793	5.1
106. Borden	442	7.0	194	1.3	165	165	13.8	.48	4,716	9.4
107. McDonnell Douglas	435	258.5	346	6.3	−219	−492	13.1	.38	11,478	3.8
108. Times Mirror	431	31.1	237	1.9	−50	−94	24.3	.96	2,947	14.6
109. Wal-Mart Stores[4]	430	453.7	328	20.9	−153	−285	25.6	.61	8,452	5.1
110. Borg-Warner	417	26.4	180	−12.8	78	14	10.9	.21	3,330	12.5
111. American Medical[7]	416	91.0	164	19.5	−94	−184	17.0	1.00	2,256	18.4
112. Litton Industries[6]	412	−55.7	300	8.0	72	600	31.9	1.65	4,585	9.0
113. Louisiana Land & Expl.	412	1.9	10	−90.9	89	122	1.8	.64	1,162	35.4
114. Marriott	403	32.7	167	23.8	−590	−362	19.7	1.47	4,242	9.5
115. Owens-Illinois	401	6.7	156	15.0	34	10	10.0	.40	3,674	10.9
116. Ashland Oil[6]	401	11.1	147	NM	−13	−29	12.5	.55	7,891	5.1
117. Campbell Soup[6]	400	123.4	198	3.5	102	−87	14.3	.28	3,989	10.0
118. Motorola	394	−10.5	72	−81.4	−411	−499	3.2	.44	5,443	7.2
119. FMC	390	−11.5	197	−13.0	−1	173	17.4	.33	3,261	12.0
120. Eastern Air Lines	390	−1.4	6	NM	−209	−100	NM	6.20	4,815	8.1
121. Scott Paper	384	54.7	201	7.5	CF	−128	17.0	1.19	3,050	12.6
122. Dun & Bradstreet	381	10.1	295	16.6	13	56	21.7	.02	2,772	13.7
123. May Department Stores[4]	373	52.0	235	10.0	−36	−68	16.4	.44	5,080	7.4
124. Williams	369	−16.0	32	−78.1	−9	58	2.6	1.63	3,140	11.8
125. Deere[9]	367	63.6	31	−70.9	−58	19	1.4	.74	4,061	9.0
126. Warner-Lambert	366	.5	−316	NM	4	63	NM	.59	3,200	11.4
127. Archer-Daniels-Midland[5]	359	107.0	164	39.2	CF	CF	9.1	.32	4,739	7.6
128. Southern New Eng. Tel.	357	31.6	120	−3.8	11	−47	12.1	.61	1,381	25.9
129. USG	355	43.6	224	20.0	132	71	22.7	.24	2,527	14.1
130. Crown Zellerbach	355	101.4	−27	NM	127	−148	NM	.56	3,083	11.5
131. Air Products & Chemicals[6]	354	−2.6	144	2.0	−119	18	12.3	.64	1,830	19.3
132. Gannett	351	−.8	253	13.1	25	129	19.9	.39	2,209	15.9
133. Upjohn	346	37.8	203	17.3	−23	33	15.7	.35	2,017	17.1
134. Pillsbury[3]	345	−11.1	192	13.0	−142	14	16.5	.60	4,671	7.4
135. CPC Int'l.	345	−2.9	142	−26.6	−206	−75	10.4	.55	4,210	8.2
136. Texas Instruments	343	−42.3	−119	NM	−193	−160	NM	.29	4,925	7.0
137. Centel	342	−13.7	129	4.3	−24	77	15.1	.95	1,326	25.8
138. Warner Communications	339	−45.4	195	NM	311	548	38.3	.97	2,235	15.2
139. IC Industries	333	5.7	154	15.7	−14	−9	9.1	.96	4,405	7.6
140. Emerson Electric[6]	322	54.0	401	14.9	−88	−126	18.1	.12	4,649	6.9
141. Waste Management	319	10.4	172	20.4	−119	−88	15.1	.48	1,625	19.6
142. Melville	315	35.5	220	15.5	131	27	19.9	.10	4,775	6.6
143. Armco	315	−29.5	−118	NM	131	250	NM	.75	3,733	8.5
144. Heinz (H.J.)[2]	315	−8.5	266	12.0	36	110	21.6	.36	4,048	7.8
145. Boise Cascade	312	−6.4	106	49.8	−113	−236	7.0	.74	3,737	8.3
146. LTV	310	NM	−772	NM	−28	−771	NM	3.49	8,199	3.8
147. Southland	305	−55.5	213	32.6	−230	162	15.2	.67	12,377	2.5
148. Humana[7]	301	1.6	216	11.8	−217	−260	24.9	1.40	2,188	13.8
149. American Stores[4]	298	−8.0	155	−16.7	1	−30	16.8	1.09	13,890	2.1
150. Eaton	292	22.5	231	−9.2	109	63	16.5	.34	3,675	7.9

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
151. Ogden	289	217.2	21	−46.7	211	−33	6.7	.70	1,028	28.1
152. Woolworth (F.W.)[4]	288	5.5	177	−25.5	21	13	14.4	.30	5,705	5.1
153. Teledyne	287	19.2	546	−4.9	170	164	34.6	.43	3,256	8.8
154. Alexander & Alexander Serv.	285	250.9	46	72.6	209	31	15.7	.48	914	31.2
155. Rohm & Haas	285	22.6	141	−16.1	25	37	15.1	.44	2,051	13.9
156. Union Camp	283	−26.3	95	−47.6	−55	−32	7.2	.55	1,866	15.2
157. Storage Technology	278	NM	−44	NM	174	−350	NM	NM	673	41.3
158. Kroger	274	−39.1	181	15.4	−250	31	15.2	.92	17,124	1.6
159. Coit Industries	271	72.1	129	−2.2	177	46	31.2	.85	1,579	17.2
160. Schering-Plough	270	−16.3	193	8.7	−34	−15	13.0	.57	1,927	14.0
161. Murphy Oil	269	−18.5	80	−32.2	−49	−49	7.9	.31	2,105	12.8
162. Burlington Industries[6]	265	54.0	13	−79.9	28	−120	1.1	.42	2,802	9.4
163. Int'l. Minerals & Chemical[6]	264	1.5	120	6.8	40	51	11.0	.33	1,627	16.3
164. Lucky Stores[2]	262	26.1	87	−8.6	−82	−56	13.3	.60	9,382	2.8
165. Greyhound	258	−57.7	120	−4.0	68	434	10.3	.54	2,562	10.1
166. Fort Howard Paper	256	9.1	157	18.0	−54	9	14.1	.11	1,363	18.8
167. Avon Products	254	7.0	128	−29.4	−10	−72	13.8	.73	2,470	10.3
168. American Cyanamid	253	−26.3	120	−44.3	−51	46	7.3	.51	3,536	7.2
169. Leaseway Transportation	253	−30.8	29	−30.9	−278	−172	8.6	1.17	1,430	17.7
170. Apple Computer[9]	252	NM	61	−4.4	198	−38	11.1	.00	1,918	13.1
171. Macy (R.H.)[8]	252	40.4	189	−14.7	−69	−110	14.4	.16	4,368	5.8
172. Winn-Dixie Stores[6]	248	21.2	108	−6.9	15	−28	16.7	.15	7,775	3.2
173. Allied Stores[4]	247	58.3	159	13.2	45	−12	12.7	.66	4,135	6.0
174. Penn Central	244	−15.2	111	−34.8	83	100	6.1	.17	2,527	9.7
175. Tribune	243	−8.0	124	20.2	33	83	13.6	.82	1,938	12.5
176. Squibb	242	88.5	227	14.9	−72	−67	15.5	.29	2,042	11.8
177. Quaker Oats[5]	241	4.6	157	12.9	75	50	19.4	.41	3,520	6.9
178. Time	241	−56.6	200	−7.7	−73	167	16.5	.44	3,404	7.1
179. Browning-Ferris Inds.[8]	240	32.3	112	25.4	−34	−27	20.3	.23	1,145	21.0
180. Dresser Industries[9]	239	−21.7	−196	NM	−7	103	NM	.35	4,111	5.8
181. USAir Group	238	−22.9	117	−3.7	−111	−51	13.1	.50	1,765	13.5
182. AMP	237	−2.7	108	−46.3	−69	−98	10.8	.19	1,636	14.5
183. Ethyl	237	17.1	117	−11.4	109	50	14.7	.50	1,547	15.3
184. Corning Glass Works	234	12.1	106	21.0	CF	CF	9.1	.31	1,691	13.8
185. Dana	234	−10.7	165	−13.7	−16	119	13.8	.48	3,754	6.2
186. Texas Air	231	143.8	49	74.9	13	−49	36.1	5.48	1,944	11.9
187. Limited[4]	231	105.7	145	57.1	30	−20	36.2	.97	2,387	9.7
188. Whirlpool	231	119.7	182	−3.8	−29	−105	15.1	.05	3,475	6.7
189. Transco Expl. Partners	231	NA	−6	NM	−254	NA	NM	.26	364	63.4
190. Tektronix[3]	230	48.5	90	−23.6	130	38	10.6	.13	1,438	16.0
191. Dow Jones	229	40.4	139	7.3	13	−29	23.1	.42	1,039	22.0
192. Knight-Ridder	227	5.6	133	−5.7	73	82	19.1	.46	1,730	13.2
193. Baker Int'l.[6]	227	−22.8	88	24.2	33	124	8.7	.39	1,904	11.9
194. Pitney Bowes	227	32.4	145	4.6	−24	−70	18.5	.27	1,832	12.4
195. Federal Express[2]	221	−7.2	76	−34.1	−396	−423	9.3	.80	2,031	10.9
196. Northrop	221	−.3	214	29.0	−219	−167	24.0	.19	5,057	4.0
197. Chesebrough-Pond's	220	210.4	68	−43.1	−15	−67	10.0	2.02	2,700	8.1
198. Advanced Micro Devices[1]	218	86.0	135	90.4	−61	−15	30.4	.13	931	23.4
199. Bowater	215	80.8	68	8.0	−206	−86	16.0	.70	904	23.8
200. GenCorp[10]	213	52.8	49	576.2	4	−54	5.1	.33	3,021	7.0

ALPHABETICAL RANKING—CASH FLOW: THE TOP 200

The company ranking appears in **boldface** for 1985 and in lightface for 1984.

COMPANY	RANK '85	RANK '84
AMP	**182**	171
AMR	**50**	55
AT&T	**5**	
Abbott Laboratories	**73**	78
Advanced Micro Devices	**199**	
Air Products & Chemicals	**131**	116
Alexander & Alexander Serv.	**154**	
Allied Stores	**173**	37
Aluminum Co. of America	**81**	64
Amerada Hess	**36**	74
American Brands	**89**	77
American Cyanamid	**168**	124
American Home Products	**59**	43
American Info. Tech.	**14**	
American Medical Int'l.	**111**	194
American Stores	**149**	134
Amoco	**7**	7
Anheuser-Busch	**48**	54
Apple Computer	**170**	
Archer-Daniels-Midland	**127**	
ARMCO	**143**	95
Ashland Oil	**116**	117
Atlantic Richfield	**9**	5
Avon Products	**187**	179
Baker Int'l	**193**	147
Bell Atlantic	**15**	
BellSouth	**13**	
Boeing	**19**	28
Boise Cascade	**145**	125
Borden	**106**	96
Borg-Warner	**118**	132
Bowater	**198**	
Bristol-Myers	**78**	88
Browning-Ferris Inds.	**179**	
Burlington Inds.	**182**	
Burlington Northern	**30**	18
Burroughs	**84**	101
CBS	**85**	110
CPC International	**135**	119
CSX	**33**	29
Campbell	**117**	
Caterpillar Tractor	**57**	45
Celanese	**54**	174
Centel	**137**	105
Champion Int'l.	**67**	
Chesebrough-Pond's	**197**	
Chevron	**4**	11
Chrysler	**18**	14
Coca-Cola	**42**	32
Colt Inds.	**159**	
Contel	**68**	
Corning Glass Works	**184**	200
Crown Zellerbach	**130**	
Dana	**185**	154
Dart & Kraft	**58**	56
Dayton-Hudson	**105**	159
Deere	**125**	190
Delta Air Lines	**69**	60
Diamond Shamrock	**76**	35
Digital Equipment	**77**	
Dow Chemical	**70**	21
Dow Jones	**181**	
Dresser Industries	**180**	141
Du Pont (E.I.)	**11**	10
Dun & Bradstreet	**122**	122
Eastern Air Lines	**120**	106
Eastman Kodak	**43**	22
Eaton	**190**	177
Emerson Electric	**140**	199
Ethyl	**183**	
Exxon	**1**	1
FMC	**119**	97
Federal Express	**195**	178
Federated Dept. Stores	**91**	153
Ford Motor	**6**	4
Fort Howard Paper	**186**	183
GTE	**12**	12
Gannett	**132**	120
GenCorp	**200**	
General Dynamics	**86**	44
General Electric	**26**	17
General Motors	**2**	3
General Motors (Class E)	**75**	
Georgia-Pacific	**64**	67
Goodyear Tire & Rubber	**49**	42
Greyhound	**165**	75
Halliburton	**101**	50
Heinz (H.J.)	**144**	123
Hewlett-Packard	**51**	61
Holiday	**87**	109
Honeywell	**83**	68
Hospital Corp. of America	**93**	80
Humana	**148**	145
IC Industries	**139**	137
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DEFINITIONS AND FOOTNOTES

Definitions:

Cash flow from operations was derived from the following formula: net income (not including extraordinary items) adjusted to remove expenses not requiring cash (depreciation and deferred taxes) and income not generating cash (unremitted earnings from unconsolidated subsidiaries) and also adjusted for changes from the prior year in current receivables, other current assets other than cash and cash equivalents, current accounts payable, income taxes payable and other current liabilities other than notes payable and debt due within one year.

Percentage change in cash flow from operations is current cash flow divided by the prior year cash flow.

Discretionary cash flow from operations is cash flow from operations minus capital expenditures, total dividends and debt due in one year as reported in prior year's statement.

Return on common equity is net income available for common shareholders divided by common equity—that is, common stock plus capital surplus and retained earnings.

Debt as a percentage of equity is the ratio of total debt to total equity. It is calculated by taking long-term debt plus the portion of long term debt due in one year plus notes payable and dividing the total by total shareholder equity (preferred stock plus common stock, capital surplus and retained earnings).

Abbreviations:

cf: combined figure (calculation cannot be done because the company did not report individual items). *nm:* not meaningful (equation contains one or more negative numbers). *nr:* not reported (item required to do calculation was not reported). *na:* not available

Footnotes:

1. Fiscal year ended March 31, 1984. 2. Fiscal year ended April 30, 1984. 3. Fiscal year ended May 31, 1984. 4. Fiscal year ended January 31, 1985. 5. Fiscal year ended June 30, 1985. 6. Fiscal year ended July 31, 1985. 7. Fiscal year ended August 31, 1985. 8. Fiscal year ended September 30, 1985. 9. Fiscal year ended October 31, 1985. 10. Fiscal year ended November 30, 1985.

Source:

The study is drawn from the Standard & Poor's Compustat data base of 6,400 companies from which were eliminated financial companies (savings and loans, banks, insurance companies, securities firms and finance companies); companies with more than 50% of profits from finance subsidiaries of domestic companies and regulated gas and electric utilities.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(5/31/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Value of $10,000 if invested: Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$27.07/share	$10,545	$13,491
per cent change		+5.5%	+34.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$128.50	$ 9,324	$11,782
ACCUMULATED INCOME		$ 71	$ 1,077
TOTAL		$ 9,395	$12,859
per cent change		−6.1%	+26.6%
Money Market Fund	6.22%	$10,053	$10,724
per cent change		+.5%	+7.2%
Gold (Krugerrands)	$346.50/oz.	$ 9,923	$10,510
per cent change		−.8%	+5.1%

HOUSE PRICES	Recent	Month Earlier	Year Earlier
Existing House	$104,700	$104,200	$ 87,000
per cent change		−.5%	+16.9%
New House	$115,000	$114,200	$106,400
per cent change		+.7%	+7.5%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes,inc.; Federal Home Loan Bank Board.

rently trading around 28, the stock could double, he believes.

Awad is very keen on Polaroid, a company that has accrued "so much negative goodwill" because of its persistent earnings disappointments that Wall Street analysts are ignoring the fact that Polaroid is gathering steam for an earnings explosion that "will give it $7 in earnings power over the next two-to-three years," he says. The company is reaping the benefit of several years of cost-cutting, tremendously successful early returns from its major new product—the Spectra system—and its court victory over Kodak. The last restores Polaroid's monopoly in instant photography and, within two years, will provide a major cash infusion from Kodak—estimated as high as $10-to-$15 per share, after taxes. BMI estimates 1986 earnings at $3.60 per share and $4.40 for 1987. The stock, which is currently trading at about 68, could then sell near 100.

Market conditions are also hospitable to certain specialty retailers, including family-run Roses Stores, one of the dominant high-quality discounters in the small Southeastern towns it serves. Younger family members took over the management in 1980, says Awad. They repositioned the product lines, refurbished the stores, introduced point-of-sale machines and radically lowered costs. At 37, the stock is a mere eleven times BMI's 1987 projected earnings of $3.36 per share.

Also on the comeback trail is Roper Corp., a manufacturer of kitchen ranges and lawn mowers. Scarred by an earnings loss in fiscal 1985 (ended June 30) from heavy one-time expenditures—the company moved plants into low-cost areas and suffered production headaches with some new products—Roper is now enjoying huge incremental margins from its cost-saving measures, says Awad. At 38, the stock is currently trading at a mere eight-and-a-half times the $4.50 a share earnings that BMI projects for 1987, versus an estimated $2.85 for fiscal 1986. Once the earnings growth is recognized, he thinks the stock should trade between the mid-50s and the low 70s over the next twelve-to-twenty-four months.

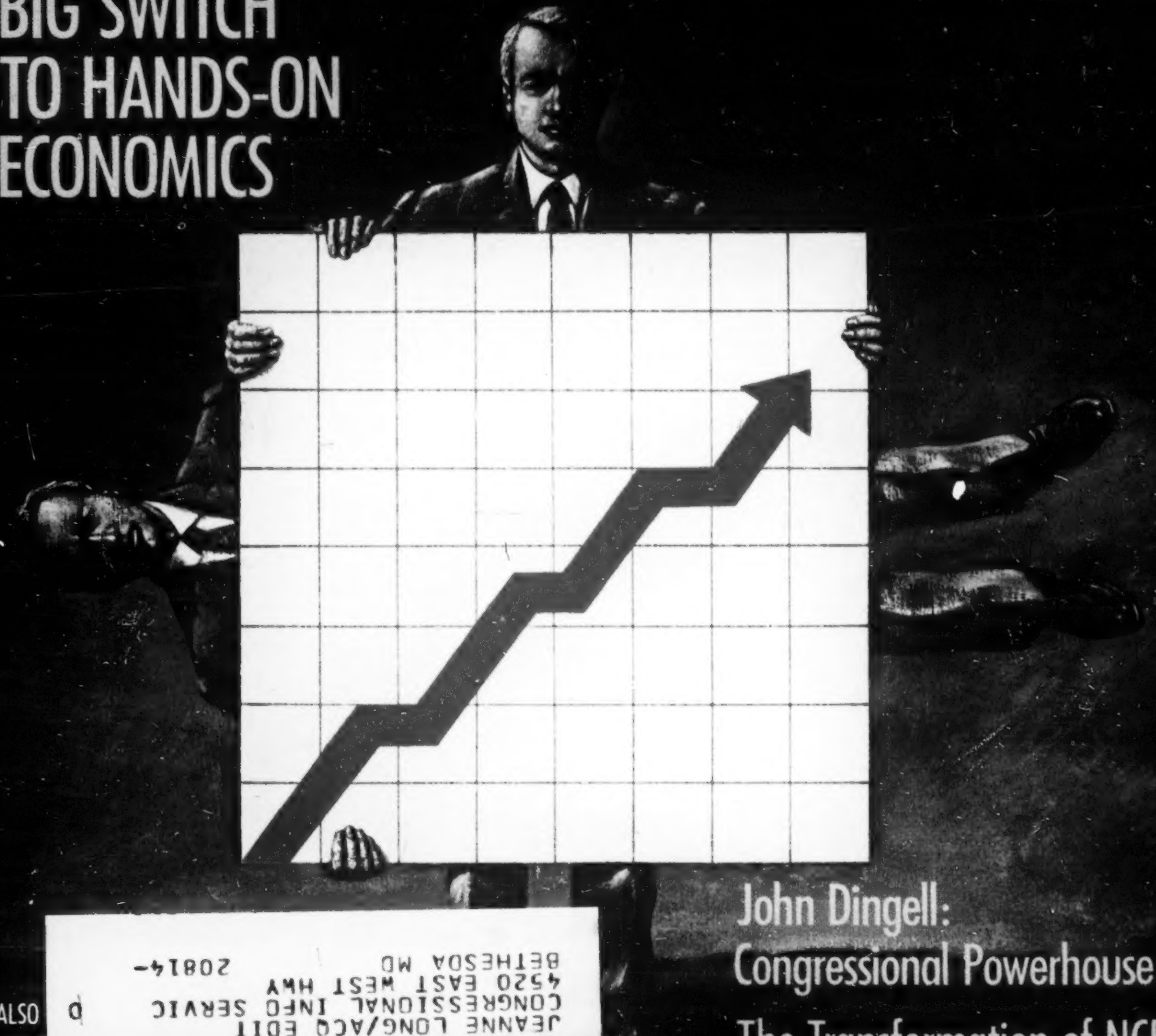
Among younger, high-growth technology companies, BMI likes Rexon Business Machines. Rexon was founded by Ben Wang, one of the deans of the disk drive industry. He developed the streaming tape drive, a backup memory that effectively doubles the capacity of all small business computers and large PCs that use Winchester disk drives. The stock soared to 21 on the strength of the market's excitement about the product, but Wang needed another couple of years—and lots more money—to perfect it. Now, Rexon revenues are running at an $89 million annual rate, compared to $10 million two years ago. After sustaining a big loss for the 1985 fiscal year ended September 30, Rexon will earn 35 cents a share in 1986. More importantly, Awad says, the company could earn $1.50-to-$2 in two years, which would catapult the stock (currently at 9) over the $20 mark, he believes.

—ELIZABETH KAPLAN

Presidents' Panel:
"Close Tax Loopholes"

BUSINESS MONTH

BIG SWITCH TO HANDS-ON ECONOMICS



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The Transformation of NCR

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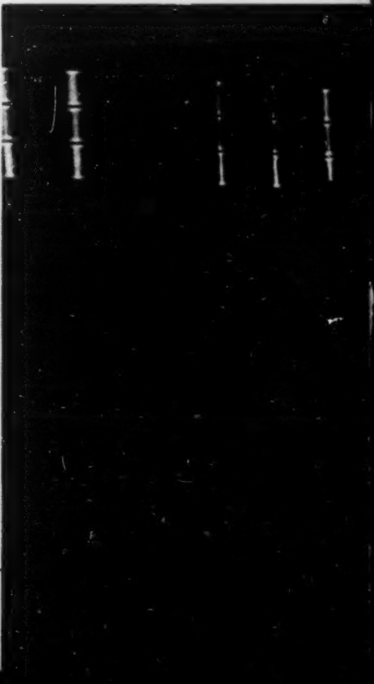

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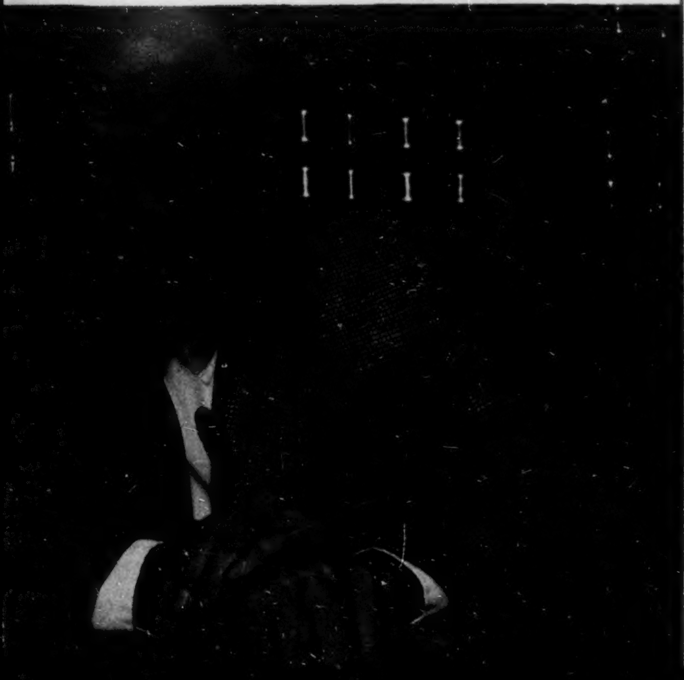

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The Big Switch to Hands-On Economics

Disenchanted with macroeconomics, companies demand a focus on markets. Economists doing line jobs.

by Marc Levinson

When the New York Association of Business Economists meets, the subject is generally the economy. But when thirty members gathered recently at a Wall Street bank, the economic indicators were the last thing on their minds. Lured by an invitation warning that the "loss of jobs for business economists is rapidly becoming one of the most serious problems we face," they discussed alternative careers.

Economics seems to have gone out of fashion in corporate America. Company after company is slashing its economics staff. In May, TRW Inc., a $6 billion electronics and auto parts manufacturer, eliminated its economics unit altogether. Chemical Bank did the same in 1985. American Telephone & Telegraph, American Can and Citicorp, among others, have slashed their economics staffs.

Despite the crop of obituary notices for economics departments, however, the demise of business economics is not at hand. Rather, according to a Dun's Business Month survey of corporate economists, a sweeping change has taken place in the way in which companies use economic analysis (*box, page 28*). Three out of four respondents said that the function of their department has changed markedly in the past two years.

The vast majority say that their departments now focus primarily on microeconomics—divining the economic ebb and tide of the industry the company operates in, the changes in its markets and the repercussions of those nitty gritty developments on next year's sales and profits. And, in sharp contrast to the past, they get involved in a hands-on way in company operations. Business economists still are counted as staff, but their output is increasingly tied to line operations.

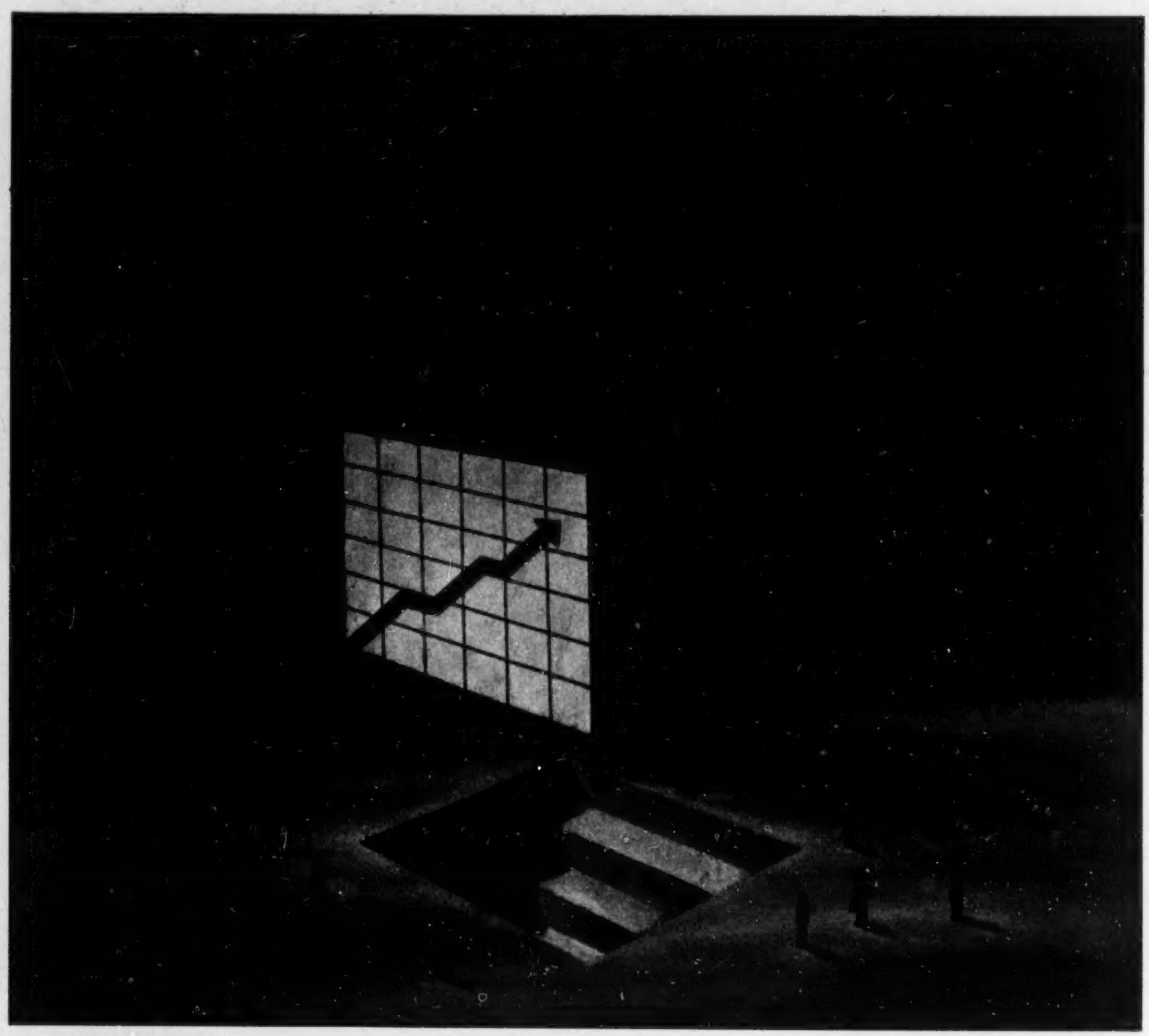
Until recently, economics departments generally prognosticated the big picture—macroeconomics. They forecast the economic outlook six months or a year down the road and offered instant analyses of the statistics that pour out of Washington. But along with government and academic pundits, the business economists' forecasts were lousy. All too frequently, they failed to call the turns in the economy in the late 1970s and early 1980s.

Business' disenchantment with macroeconomics is not surprising in light of the high hopes engendered by computer-based econometric models, which were much balleyhooed during the 1970s as a scientific forecasting tool. These models use equations that predict Gross National Product, interest rates, inflation and other indicators, based on their historical relationships with each other. But because the models are based on experience, they proved vulnerable to changes in the underlying relationships, such as the massive energy shocks of the 1970s.

Even more infuriating to businessmen faced with making decisions, forecasts based on econometric models can swing erratically. In August 1985, for example, Georgia State University's model said real GNP would grow 2.5% this year. Since then, the forecast has dropped to 2.3%, risen to 4% and fallen again to 2.2%.

As long as corporate budgets were fat, funding a staff seer to interpret these squiggles for management was a minor indulgence. "There was a perception that you keep a house economist around to vet next year's GNP forecast and write some free-market rhetoric for the CEO. I'm not sure the investment in that kind of resource is justified," comments Marina Whitman, group vice president and former chief economist of General Motors Corp. Instead, executives began demanding information relevant to management decision-making.

As companies pare their payrolls, the economists that survive have done so by becoming marketers of economic analyses within the corporation—persuading other departments that their economic insights will pay off in sales and profits. For example, some make detailed analyses of how prices and markets for the products will change in the months and years ahead. Says Joseph F. Agnich, chief economist at Bell



Atlantic Corp.: "You must provide some value-added to the company."

To produce these microeconomic analyses, companies are forcing economic consulting firms to provide them with more finely-tuned numbers. Data Resources Inc. now makes detailed forecasts of thirty different sectors. Until recently, "You'd say, 'Here's the GNP and the major aggregates' [the components of GNP] and the corporate economist would translate that down to their industry," says DRI's Chief Economist Roger Brinner. "Now, information has to be more company and industry specific."

Corporate economists are doing more modeling than ever. But these days, their models are likely to be of small sectors of the economy and serve concrete short-term business purposes. Often, the models are as simple as equations projecting sales of wood flooring in August based on the building permits issued in June.

For example, until recently the economics staff at Texas Instruments, Inc. was content with providing general economic forecasts to management; now it develops detailed outlooks for production levels in the computer and electronics industries, which are TI's major customers. Those microeconomic analyses are then used to predict the demand for the company's semiconductors, so it can plan production levels. "We are much closer to the company's end markets," says Chief Economist Vladi Catto.

Other economists have taken on operational responsibilities along with their analytical tasks. Hossein Tahmassebi, chief economist of Ashland Oil Co., chairs a committee that assesses the short-term market outlook and makes recommendations on the company's oil futures trading.

When Deutz-Allis Corp. in Milwaukee considers raising or lowering prices on its farm equipment, managers ask economist David W. Maaske to analyze how the change will affect sales of a specific line of tractors. In June, Deutz-Allis decided to ignore a

ILLUSTRATION BY RAFAL OLBINSKI

competitor's price cut after Maaske calculated the cut would not increase the competitor's market share.

The move into operations has been particularly pronounced in banks. At Boston's State Street Bank and Trust Co., Chief Economist Frederick S. Breimyer recently moved from the planning department to the capital markets division, where his forecasts affect the bank's investment policy. He has switched from making two-to-three-year macroeconomic forecasts to short-term forecasts of interest rates that traders can profit from.

This switch to operations is easy because an increasing number of corporate economists have prior experience elsewhere in their companies. Many, in fact, do not have formal training in economics (*box, page 29*). Comments F. Gerard Adams of the University of Pennsylvania's Wharton School: "Most of the PhDs coming out of economics departments are not at all suited to become business economists."

Along with redefining economists' jobs, companies are cutting back on the avalanche of economic statistics that managers receive. Joseph A. Wahed, chief economist at Wells Fargo Bank, claims many of the newsletters his colleagues publish are written mainly for other economists. "It is not an efficient use of company time for its economists to publish research reports unless they have a direct bearing on the company's bottom line," Wahed says. "It makes little sense to churn out forecasts nobody needs," concurs Georges Rocourt, economist at Baltimore's Mercantile Safe Deposit & Trust Co.

Many corporations, to be sure, continue to publish regular newsletters. For example, on Ford Motor Co. Chairman Donald Petersen's desk each week is economist John Deaver's *Monday Economic Bulletin*, with the latest economic figures and a summary of international conditions.

But, increasingly, managers want their economic information verbally, so they can ask questions tying the report to their specific needs. "The number of presentations has increased sharply," says the chief economist of a chemical company. "We've moved away from standard monthly reports toward special analysis and presentations," adds James V. Gillette, chief economist at Foremost Insurance Co. in Grand Rapids.

Managers like confronting the corporate economist. William Prebe of Dana Corp. says the company's policy committee has grown more interested in his oral presentations. "I'm being asked to respond more frequently to specific situations, foreign matters, political matters," he says.

In particular, burned by the wild gyrations of the economy in recent years, executives want economists to evaluate contingencies. "In this environment, there have been more 'what if?' questions flowing my way than we are equipped to handle," confirms Allen Sinai, chief economist of Shearson Lehman Brothers. "These days, people always ask, 'What can go wrong?' "

Alan Kellner, corporate economist for General Foods Corp., uses videocassettes and slides to communicate his economic analysis to the company's managers. The show, up to twenty minutes long, is shown every few months to managers at General Foods' locations around the world. "They prefer that to a written report," Kellner says. "Failing having me there personally, it's the next best thing."

Despite the move to microeconomics, precise numerical forecasts of the economic indicators remain the heart of most economists' work. Many confess they would prefer to eliminate them altogether, offering predictions in ranges or general outlooks.

HOW COMPANIES ARE USING ECONOMISTS

To track changes in the way businesses are using economics, DUN'S BUSINESS MONTH surveyed chief economists at 200 corporations. Here are the important findings from the 78 economists who responded:

Has the role of economists in your corporation changed over the past two years?	Yes	76%
	No	24%
For those responding yes, how has the role changed?	More focus on our company or industry	43%
	More involvement with company's operations	21%
	Influence within company increased	19%
	Role eliminated or sharply reduced	10%
	Other	7%
In what way has the nature of your forecasts changed?	More focus on pending decisions or short-term issues	32%
	More trends, fewer numbers, more use of ranges	27%
	More forecasts concerning our industry	27%
	Less frequent	9%
	More detailed	5%
Has the number of economists in your department changed in the past two years?	Increased	13%
	Decreased	36%
	Remained the same	51%
Where is the economic research function located in your company?	Strategic planning department	38%
	Finance or treasury department	33%
	Investment department	10%
	Other	18%

PPG's ATKINSON: ECONOMICS THAT MAKES MONEY

In 22 years at PPG Industries, Inc., civil engineer Douglas Atkinson has worked in production, construction and venture businesses. Perhaps that's why, as a noneconomist serving as PPG's director of corporate economic services, his primary focus is the company's products—not next year's Gross National Product. "I prefer not to think of myself as an economist, but rather as a market analyst and planner," Atkinson admits. "Eighty percent of our time is spent helping our people do market research and understand how things are changing."

Since PPG's 1985 sales of $4.2 billion were largely to the auto and construction industries, Atkinson prepares detailed forecasts of auto sales, housing starts and nonresidential construction, identifying not only the number of units to be produced, but the location, features, likely builders—in short, information PPG's sales managers need to plan ahead. Although he drafts a detailed economic forecast for PPG's annual profit plan, most of his work on macroeconomic issues deals with identifying broad trends rather than divining turning points in economic cycles. "Trying to predict whether we're going to have a recession in 1987 or 1988 or 1989 is like counting the number of angels on the head of a pin," he quips.

Atkinson: Markets, not GNP

In 1985, Atkinson drew up a long-range scenario of U.S. auto production, called "Sunset for the American Car," which cast a pall over PPG's Pittsburgh headquarters. The study noted that the size of the driving-age population is leveling off, the number of cars per thousand drivers is declining and a smaller proportion of autos is being scrapped each year. Together, these trends indicate U.S. car sales will be flat over the next decade. Equally disconcerting, Atkinson predicted that the Big Three U.S. automakers, long-time buyers of PPG's glass and coatings, will continue to lose market share as more foreign producers open U.S. plants. The report held such major consequences for PPG that only six copies were distributed. "It was too upsetting," Atkinson recalls.

The gloomy forecast galvanized some managers. Richard Zehren, general manager for Azdel, a plastic used for molded car parts, admits it led his division to increase marketing to foreign firms and to seek non-automotive uses for its product. "If you're dependent on three companies for 80% of your business, you'd better be thinking of alternatives," Zehren says.

For short-term forecasting, Atkinson prefers to watch the weekly initial jobless claims, which he labels "the best single indicator of what the economy is doing." When new claims hit 440,000 (they have ranged between 350,000 and 400,000 recently), a recession is on its way, he says. Atkinson also keeps an eye on the federal funds rate, which he considers the best predictor of whether the Federal Reserve is easing or tightening. The weekly change in the money supply "is not something I look at." Atkinson believes forecasts should not fluctuate unless there are major changes in underlying economic trends or political assumptions.

Atkinson's focus on market insights rather than raw numbers makes him popular among managers who look to him to spot developments relevant to their products. "I don't even remember the numbers," says Robert D. Duncan, vice president of PPG's chemicals group. "What's important is the perception of trends."

After eight years as an economist, Atkinson is convinced that understanding and communicating basic trends in the economy is far more important than predicting figures. "The numbers are important, but they're certainly not the end-all," he affirms. —M.L.

But managers hate range forecasts; they want a specific number. As Wharton's Adams observes, "If people provide a range forecast saying the economy will grow between 3% and 4%, then the vice president who wants to use the number says, 'I guess it's okay to use 3.5%.'"

"If economists think they're being asked to do that any more than anyone else, they're feeling sorry for themselves," adds former Ford Motor Co. Chairman Phillip Caldwell, now a partner at Shearson Lehman Brothers. "If it's going to be of any value, the judgment really needs to be honed to a point where it's within a range of usefulness to make a decision."

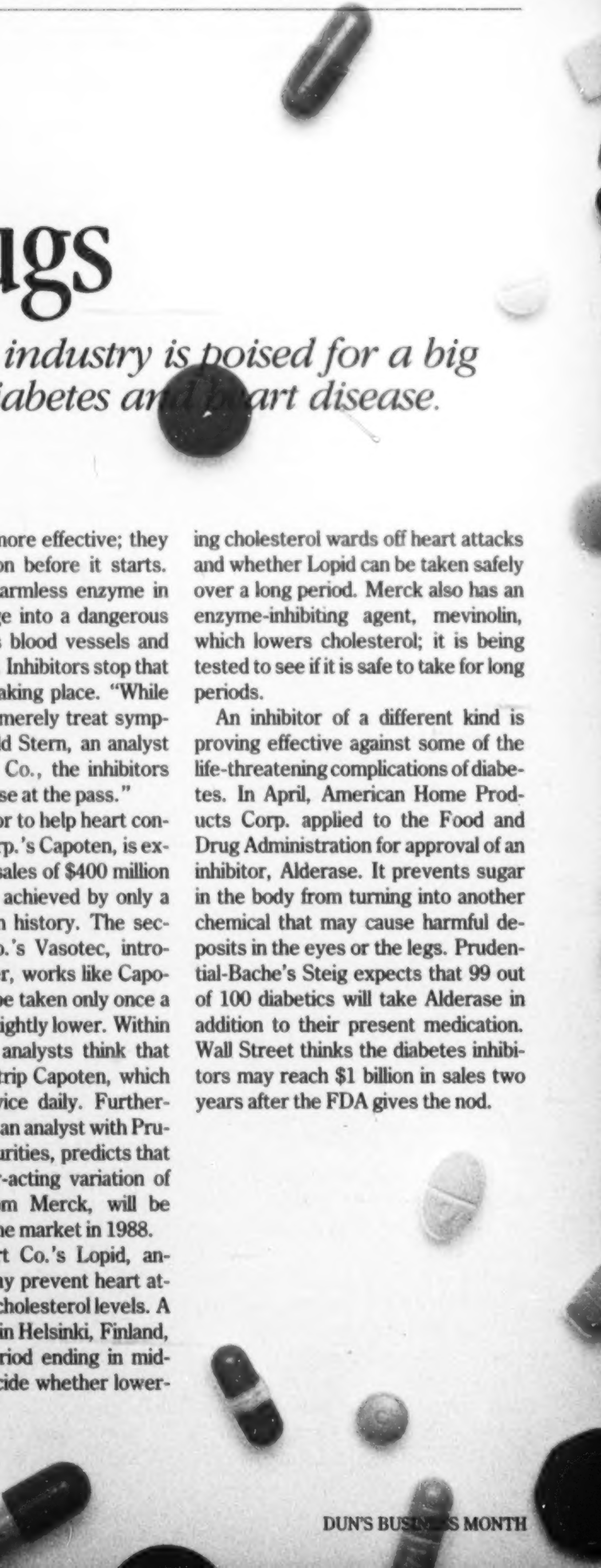
Such demands for useful analysis are forcing corporate economists from their ivory towers. As far as business is concerned, economics is no longer a research function; it's an analytical tool to make money. ■

PHOTOGRAPH BY LYNN JOHNSON, BLACK STAR

Avalanche Of New Drugs

After years of costly R&D, the industry is poised for a big payoff: New treatments for diabetes and heart disease.

by John C. Perham



For the third time in the post-World War II era, the U.S. drug industry is renewing itself. In the first renaissance, companies developed broad-spectrum antibiotics to fight contagious diseases. In the second historic advance, medical researchers discovered beta blockers, which stop the harmful body processes that raise blood pressure and cause heart ailments.

Today, two major developments are emerging:

☐ Drug researchers have created a whole new treatment category, inhibitors, which alter the body's chemistry to prevent ailments from starting.

☐ Biotechnology researchers have cloned drugs that were never available before in commercial quantities.

The new drugs emerging from these technological breakthroughs will be used to treat such chronic ailments as high blood pressure, heart trouble, diabetes and cancer. By 1990, Wall Street expects a dozen new blockbuster drugs to be ringing up aggregate sales of more than $5 billion a year (*see table*), succeeding earlier wonders that are now losing their patent protection.

The inhibitors represent a revolutionary strategy for fighting such common ailments as hypertension, high cholesterol levels and diabetes. For example, beta blockers have been medical science's most effective weapon for reducing blood pressure. But inhibitors are even more effective; they attack hypertension before it starts. Stress causes a harmless enzyme in the body to change into a dangerous one that contracts blood vessels and sends pressure up. Inhibitors stop that conversion from taking place. "While the beta blockers merely treat symptoms," says Ronald Stern, an analyst with First Boston Co., the inhibitors "head off the disease at the pass."

The first inhibitor to help heart conditions, Squibb Corp.'s Capoten, is expected to ring up sales of $400 million this year—a level achieved by only a handful of drugs in history. The second, Merck & Co.'s Vasotec, introduced in December, works like Capoten, but needs to be taken only once a day and is priced slightly lower. Within five years, some analysts think that Vasotec may outstrip Capoten, which must be taken twice daily. Furthermore, Neil Sweig, an analyst with Prudential-Bache Securities, predicts that Primavil, a longer-acting variation of Vasotec, also from Merck, will be next, arriving on the market in 1988.

Warner-Lambert Co.'s Lopid, another inhibitor, may prevent heart attacks by lowering cholesterol levels. A test on 4,000 men in Helsinki, Finland, for a five-year period ending in mid-1987, will help decide whether lowering cholesterol wards off heart attacks and whether Lopid can be taken safely over a long period. Merck also has an enzyme-inhibiting agent, mevinolin, which lowers cholesterol; it is being tested to see if it is safe to take for long periods.

An inhibitor of a different kind is proving effective against some of the life-threatening complications of diabetes. In April, American Home Products Corp. applied to the Food and Drug Administration for approval of an inhibitor, Alderase. It prevents sugar in the body from turning into another chemical that may cause harmful deposits in the eyes or the legs. Prudential-Bache's Steig expects that 99 out of 100 diabetics will take Alderase in addition to their present medication. Wall Street thinks the diabetes inhibitors may reach $1 billion in sales two years after the FDA gives the nod.

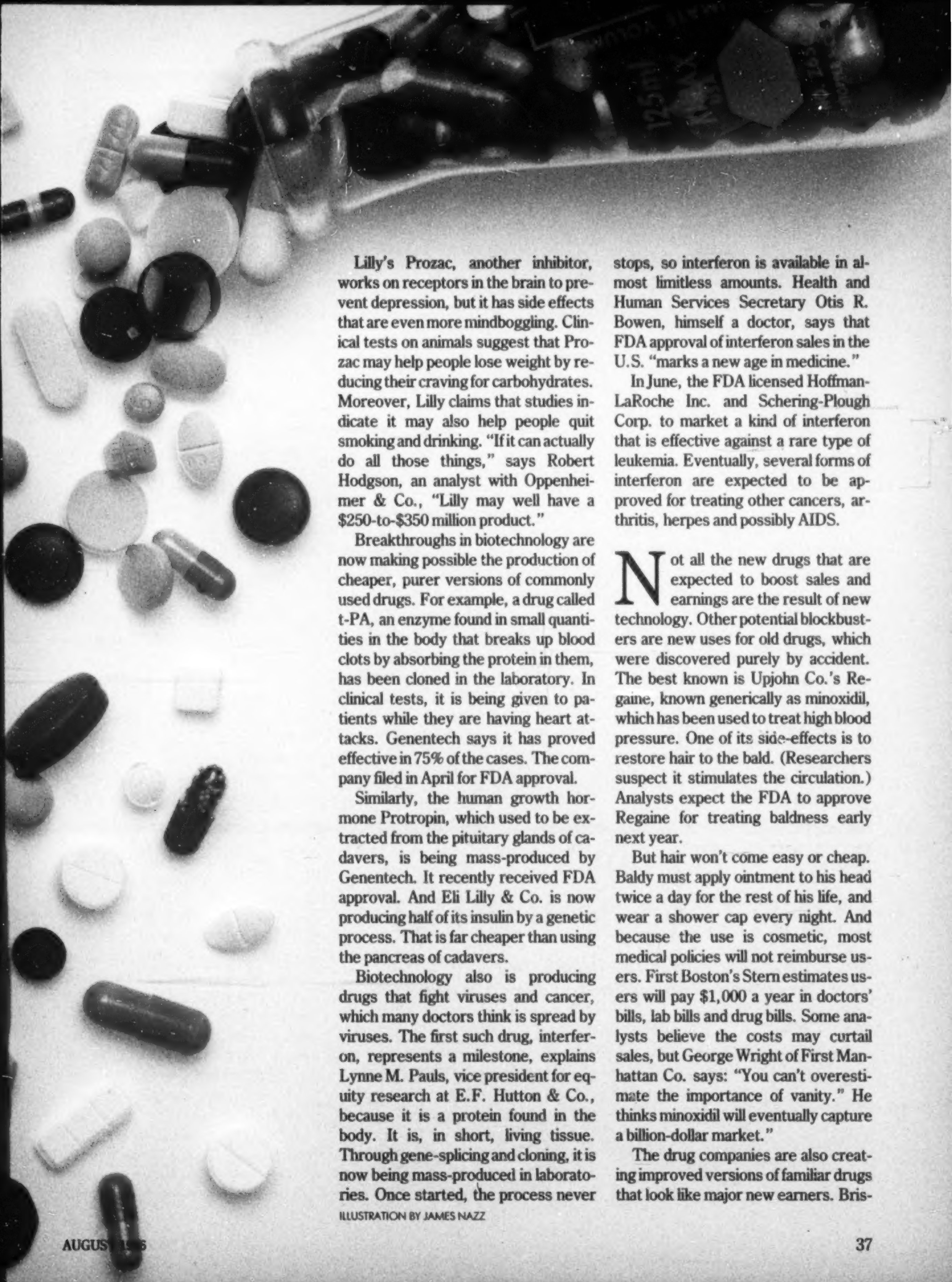


ILLUSTRATION BY JAMES NAZZ

Lilly's Prozac, another inhibitor, works on receptors in the brain to prevent depression, but it has side effects that are even more mindboggling. Clinical tests on animals suggest that Prozac may help people lose weight by reducing their craving for carbohydrates. Moreover, Lilly claims that studies indicate it may also help people quit smoking and drinking. "If it can actually do all those things," says Robert Hodgson, an analyst with Oppenheimer & Co., "Lilly may well have a $250-to-$350 million product."

Breakthroughs in biotechnology are now making possible the production of cheaper, purer versions of commonly used drugs. For example, a drug called t-PA, an enzyme found in small quantities in the body that breaks up blood clots by absorbing the protein in them, has been cloned in the laboratory. In clinical tests, it is being given to patients while they are having heart attacks. Genentech says it has proved effective in 75% of the cases. The company filed in April for FDA approval.

Similarly, the human growth hormone Protropin, which used to be extracted from the pituitary glands of cadavers, is being mass-produced by Genentech. It recently received FDA approval. And Eli Lilly & Co. is now producing half of its insulin by a genetic process. That is far cheaper than using the pancreas of cadavers.

Biotechnology also is producing drugs that fight viruses and cancer, which many doctors think is spread by viruses. The first such drug, interferon, represents a milestone, explains Lynne M. Pauls, vice president for equity research at E.F. Hutton & Co., because it is a protein found in the body. It is, in short, living tissue. Through gene-splicing and cloning, it is now being mass-produced in laboratories. Once started, the process never stops, so interferon is available in almost limitless amounts. Health and Human Services Secretary Otis R. Bowen, himself a doctor, says that FDA approval of interferon sales in the U.S. "marks a new age in medicine."

In June, the FDA licensed Hoffman-LaRoche Inc. and Schering-Plough Corp. to market a kind of interferon that is effective against a rare type of leukemia. Eventually, several forms of interferon are expected to be approved for treating other cancers, arthritis, herpes and possibly AIDS.

Not all the new drugs that are expected to boost sales and earnings are the result of new technology. Other potential blockbusters are new uses for old drugs, which were discovered purely by accident. The best known is Upjohn Co.'s Regaine, known generically as minoxidil, which has been used to treat high blood pressure. One of its side-effects is to restore hair to the bald. (Researchers suspect it stimulates the circulation.) Analysts expect the FDA to approve Regaine for treating baldness early next year.

But hair won't come easy or cheap. Baldy must apply ointment to his head twice a day for the rest of his life, and wear a shower cap every night. And because the use is cosmetic, most medical policies will not reimburse users. First Boston's Stern estimates users will pay $1,000 a year in doctors' bills, lab bills and drug bills. Some analysts believe the costs may curtail sales, but George Wright of First Manhattan Co. says: "You can't overestimate the importance of vanity." He thinks minoxidil will eventually capture a billion-dollar market."

The drug companies are also creating improved versions of familiar drugs that look like major new earners. Bris-

THE NEW BLOCKBUSTERS

Here is a list of tomorrow's biggest winners picked by Lynne Pauls, drug analyst of E.F. Hutton & Co. These new products, ranked in order of sales predicted for 1990, could produce $5 billion in new revenues for the industry.

Drug	Manufacturer	Purpose or Type of Drug	Est. 1986 Sales (millions)	Est. 1990 Sales (millions)
Capoten	Squibb	hypertension, congestive heart failure	$400	$750–$850
Regaine (minoxidil)	Upjohn	male pattern baldness	NA	$600–$700[1]
Vasotec	Merck	hypertension, congestive heart failure	$225	$600–$700
Lopid	Warner-Lambert	reduces cholesterol, prevents heart attacks	$50–$60	$350–$450[2]
Xanax	Upjohn	tranquilizer	$250	$400-plus
tissue plasminogen activator (t-PA)	Genentech	breaks up blood clots	NA	$400-plus[3]
Prozac	Lilly	antidepressant fights obesity	$35 NA	$75 $225[4]
mevinolin	Merck	prevents heart attacks	NA	$250-plus[5]
milrinone	Sterling Drug	congestive heart failure	NA	$250-plus[6]
Ansaid	Upjohn	arthritis, pain and periodontal disease	NA	$250[1]
Alderase	American Home Products	for diabetic complications	NA	$200–$300[1]
Primaxin	Merck	antibiotic	$80	$200
BuSpar	Bristol-Myers	tranquilizer	$30	$100–$200
interferons	Schering-Plough, Hoffman-LaRoche, et al	various cancers	$50	$150-plus

[1] If approved in 1987. [2] If proven to prevent heart attacks. [3] If approved in 1986. [4] If approved in 1987 for obesity. [5] If approved by 1988. [6] If approved in 1987 and survival rates are favorable. *Source: E.F. Hutton & Co.*

tol-Myers Co.'s BuSpar, for example, is a tranquilizer that is not addictive, does not interact badly with alcohol and does not give the user a high. It is expected to dislodge Valium, currently the industry's biggest seller, after it gets FDA approval. Already taking a growing share of the market is Upjohn's Xanax, a tranquilizer that is quicker-acting than Valium and does not have its depressive side effects.

On the bleaker side, several companies face the expiration of patents on major products. The company with the most to fear, analysts say, is SmithKline Beckman, whose ulcer drug Tagamet has annual sales of around $1 billion. But it is certain to get new competition by next year. Other drugs that have come off patent are Dyazide, a SmithKline diuretic, Inderal, an AHP beta blocker, and Hoffman-LaRoche's Valium, the tranquilizer.

Still, these are rewarding times for the drugmakers. Most analysts expect the industry to chalk up a 15% rise in profits this year, and to continue growing strongly through 1990. The drug companies' bet on R&D looks like a ticket to prosperity. ■

WANT TO OWN YOUR OWN RAILROAD?

Big railroads keep getting bigger, but they are also throwing off opportunities for entrepreneurs.

by Lynn Adkins

A year ago, Thomas A. Trantum, 41, a partner in Wall Street's L.F. Rothschild, Unterberg, Towbin, was helping put together a deal to buy 713 miles of railroad track from IC Industries in Mississippi for one of his clients. When the deal collapsed, Trantum stepped in and raised the $22 million purchase price himself. Now he lives in Columbus, Mississippi (population 27,000) and says running his newly named Gulf & Mississippi Railroad is the most exciting job he'll ever have.

Trantum is not alone. Over the last five years, entrepreneurs have started up some 100 small railroad companies (bringing the U.S. total to about 500) by buying uneconomic or redundant stretches of track from big lines. These entrepreneurs start modestly, can operate runs of ten miles or so profitably and expand easily. "The chance to build a mini-empire has returned," says Powell Felix, 37, a former schoolteacher who has been putting together his Indiana Hi-Rail Corp. since 1981.

Small railroads, popularly known as "short lines," include some regional lines as well. The Interstate Commerce Commission's guidelines define

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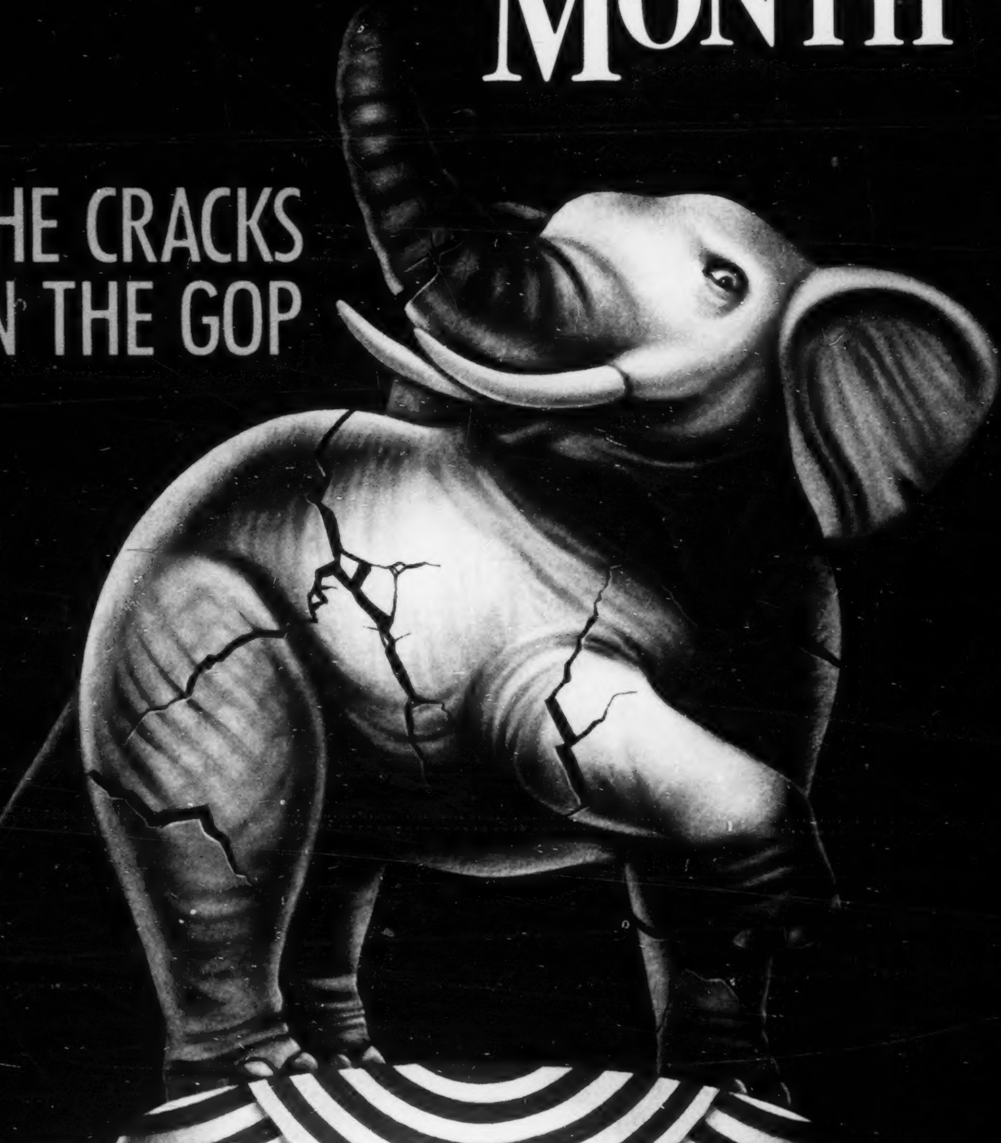
The Dollar Will Dive Again

THE CRACKS IN THE GOP



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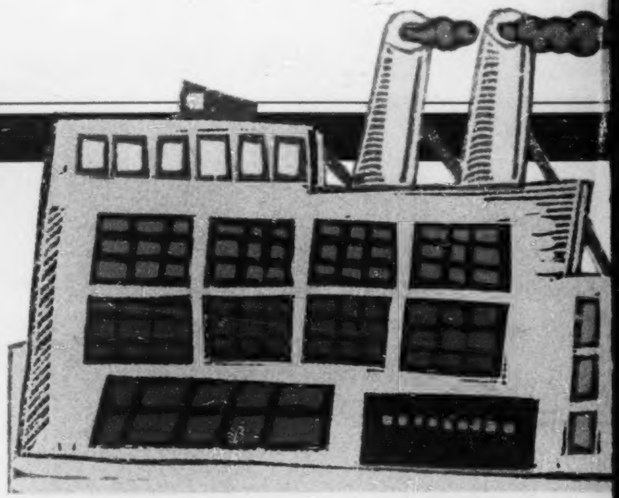

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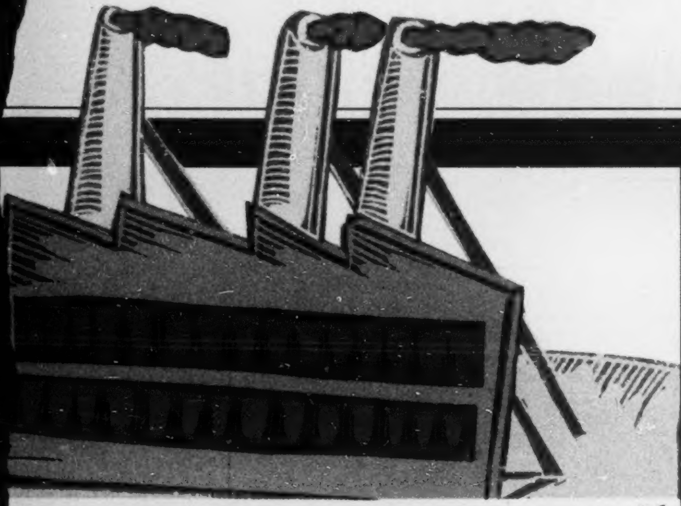

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Farm Crisis: The Worst Is Yet To Come

Grain prices will fall further and more farmers will leave, before U.S. agriculture recovers in the early 1990s.

by Lynn Adkins

U.S. grain farmer: His debt level will be the key to his survival

PHOTOGRAPH BY BOB BROOKS/IMAGE BANK

Bruce DeRaab surveyed the eight years of sweat and heartache he plowed into his Prairie City, Iowa, livestock and grain farm as the auctioneer raised the bullhorn to begin the sell-off. The lanky, 31-year-old farmer had been lured into farming when commodity prices were skyrocketing and the prospect of worldwide grain shortages appeared a certainty. Now, he can no longer stay afloat and is calling it quits.

DeRaab's plight is typical of a generation of young farmers, who borrowed heavily to buy acreage during the heady days of high grain prices in the mid-1970s. Since then, prices and profits have plummeted and some 650,000 farmers like DeRaab have gone belly up.

This shakeout is far from over. Before it ends, today's low prices will drop even more and government farm program spending will soar. The banks and the federal government will become owners of farmland that nobody else wants. There's no quick fix on the horizon for what's ailing the farmers.

"It will take four to five years before exports return and profits are restored," says the eminent D. Gale Johnson, professor of economics at the University of Chicago.

Today the world is awash in grain, and prices languish at bargain-basement levels. U.S. farmers are giving back the gains (and more) that they reaped during the late 1970s and early 1980s when U.S. farm policy provided generous subsidies and, in effect, set floor prices artificially high, not only here but abroad. Coupled with the strong U.S. dollar, nations that were former importers were enticed to become grain producers and, in some cases, even exporters.

The farmers have also been hurt by economic forces outside their control. For instance, they are getting little help from the recent decline in the U.S. dollar. The currencies of America's major competitors—Canada, Argentina and Australia—have fallen even more than the dollar, making their grain cheaper than Uncle Sam's. And the biggest potential buyers of grain are the world's poorest and most debt-ridden nations, which must pay off their debts and earn U.S. dollars before they can buy more again.

America's new farm policy—enacted last December—recognizes the new competitive realities of the world grain market. It lowers the subsidies the government pays, which will drive

GRAIN PRICES GOING DOWN

Before prices of wheat, corn and soybeans rebound in the early 1990s, they will plunge even further.

CROP	1985–86	1988–89	1991–92
Wheat	$3.12	$2.30	$2.60
Corn	2.37	1.82	2.29
Soybeans	5.28	4.84	5.73

down U.S. grain prices, making them more competitive. "The farm bill serves notice to the world that Uncle Sam has declared a grain war," says ag economist Raymond Daniel, Chase Econometrics, Inc.

Indeed, over the next few years grain prices are likely to go through the floor. Abner W. Womack, professor of agricultural economics at the University of Missouri, expects wheat to drop from the current $3.12 a bushel to as low as $2.30 in the 1988-89 crop year. He sees corn plunging from the current $2.37 a bushel to $1.82 by 1988-89 and soybeans falling from $5.28 a bushel to $4.85 in 1987-88.

But sliding grain prices will trigger a mass exodus of farmers from the farm. Farmers today owe a whopping $200 billion; and between 60% and 75% of that debt, according to Neil Harl, agricultural economics professor at Iowa State University, is loaded on the backs of about 600,000 farmers. Whipsawed between low prices and high debt, about 300,000 farmers will leave, forecasts Chase Econometrics' Daniel, and the ranks of farm owners will shrink from 1.8 million to 1.5 million by the end of the decade.

Unlike past farm shakeouts, however, which weeded out the inefficient, this go-round, says economist Paul Justis of Control Data Corp.'s Agricultural Information Service, "it's not a question of size or efficiency; it's a question of debt."

Like DeRaab, the preponderance of victims will be less than 45 years old. This age group entered farming during the 1970s, when returns were unusually high—12%-to-13% versus 2%-to-3% today. And they borrowed heavily to buy acreage when land prices had spiraled upwards. But now farmland has plummeted in value—on average 45% since 1980. "These are the young tigers who are well educated, progressive and very efficient. Unfortunately, many are carrying too much debt," Justis notes.

But forcing farmers out of business won't bring down grain supplies by itself. The number of acres in production must shrink as well. Last year's farm legislation will take 45 million acres of cropland—10% of America's 450 million total tilled acres—out of production over the next five years, but that will only be the beginning. As land prices drop further, the laws of economics will probably pare tilled acres by another 10%. Economics will find other more profitable use, such as grazing land or mobile-home parks, for marginally-productive farmland.

Despite the cheap prices forecast for grain, profits will return, says agricultural consultant John A. Schnittker. "We are headed for an agricultural sector in which the farmer can make money on $2-a-bushel corn."

How? Unlike the unremitting downward spiraling of farm income during the Great Depression, this time government aid will prop up the farm economy. Farmers will get 38%-to-45% of their total income from government payments, and that income alone will cover many of their costs, according to Chase Econometrics' Daniel.

Farm costs will decline as well. The survivors will enjoy cheap energy, cheap fertilizer, better yields and very low debt levels to service. Also, the farmer's biggest fixed cost—land—is projected to remain at depressed levels or decline even further and then to stay at those levels for the next four to five years. The title to cropland will revert to the lenders—the federal government, banks and insurance companies. And because these institutions will be unable to unload the land, they will rent it out to the surviving farmers. As a result, Daniel estimates that by 1995, 70%-to-80% of American farmers will merely rent land or work for farm management firms.

That prospect worries those who remember the destruction wrought by absentee ownership in the past. By overworking the land, absentee owners of the great coffee plantations of Africa, the sugar plantations of Cuba and much of Europe's tillable acres during the Middle Ages, destroyed that land for decades. "The separation of the ownership of the land from the tiller of the land is not healthy," says Chase Econometrics' Daniel.

Still, only a handful of pessimists expect the 1990s to replicate the 1930s. "By 1990," predicts James Houck, agricultural economics professor at the University of Minnesota, "the promise of the farm policy will be realized and those export markets will be regained." The forces are in place for a recovery, but, "we've got to give the farm bill time to work," says John Urbanchuk, director of the International Agriculture Department at Wharton Econometric Forecasting Association." Then, Donald Paarlberg, Purdue University agricultural economist, expects "a greater percentage of this smaller group of farmers will be in a better financial position in years to come than in the past." ■

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(7/31/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock	$25.77/share	$9,426	$12,452
(Index fund, capital gains and dividends reinvested)			
per cent change		-5.7%	+24.5%
Bonds			
(30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$134.63	$9,863	$12,604
ACCUMULATED INCOME		$72	$1,100
TOTAL		$9,935	$13,704
per cent change		−0.1%	+37%
Money Market Fund	6.02%	$1,051	$10,706
per cent change		+0.5%	+7.1%
Gold	$362.70/oz.	$10,422	$11,061
(Krugerrands)			
per cent change		+4.2%	+10.6%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$107,900	$108,500	$95,700
per cent change		-0.5%	+12.7%
New House	$112,300	$122,100	$119,200
per cent change		−8.0%	-5.7%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

union members. It now operates 24 cash-and-carry warehouses in California, Arizona, New Mexico, Virginia and Maryland. Engemann expects earnings of $1.25 per share this year, $1.70 in 1987, and believes the stock could go from its recent 40 (for "exceptional companies" like Price, he says, he will break his P/E rule) to 67 over the next fifteen months.

Among even smaller companies, Engemann likes Green Tree Acceptance Inc. "No one's ever heard of them because they're in such a specialized business, providing mortgages for mobile homes," he says. "Very few companies want to get into this business because the average mortgage is only $16,000. So Green Tree has most of it to itself, and they're growing like crazy." Over the last three years, Green Tree has tripled its earnings. This year, Engemann expects nearly $2.50 per share, and $3 in 1987.

Newport Corp., another small and relatively unknown company, makes tables for high-precision instruments such as lasers. With its new table for the semiconductor manufacturing market (which, contrary to conventional wisdom, Engemann expects to resume faster growth soon), Engemann thinks Newport's fiscal 1986 earnings of 75 cents per share will rise to $1.20 next year.

He also likes Electro Rent Corp., which rents scientific instruments to large companies and should benefit from tax reform. The elimination of the investment tax credit will induce more companies to rent than buy, Engemann says. Electro Rent's earnings should hit $1.35 per share this year and $1.60 next year. "If this scenario turns out as we expect, you can double your money on the stock by the end of 1987," he says.

Pic 'N' Save Corp. "thrives on the mistakes of the free-enterprise system," as Engemann puts it, by buying and reselling the discontinued and discarded merchandise of manufacturers. Engemann's forecasts: $1.25 per share this year, $1.65 next year for a 71% total return on the stock.

—THOMAS J. MURRAY

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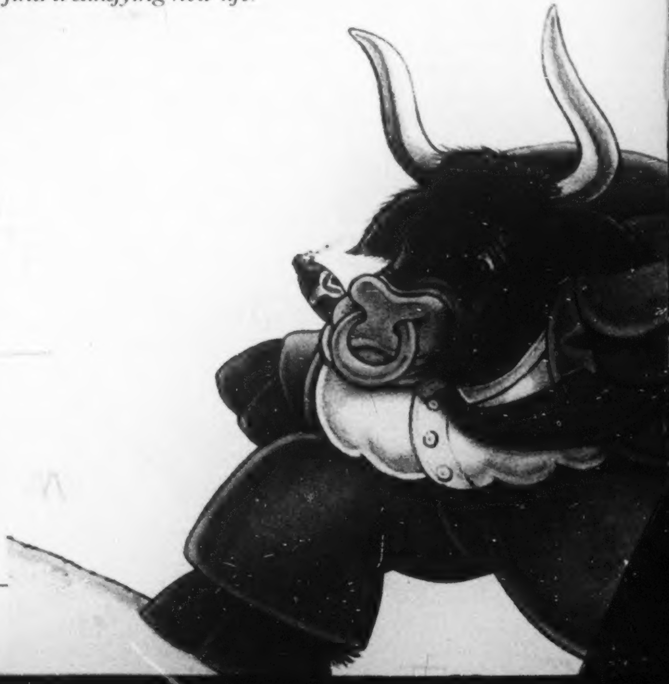

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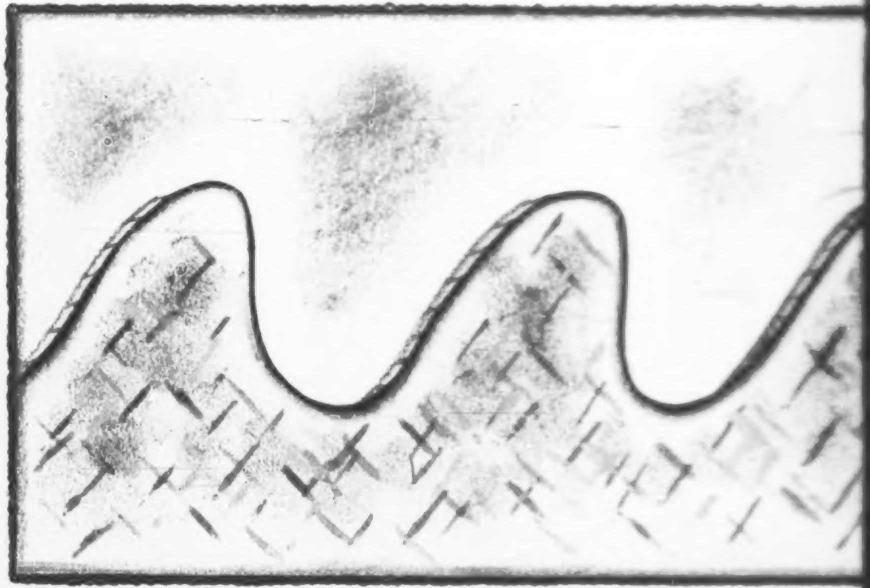
Mutual Funds: Wall Street's Cash Cow

Management fees from in-house mutual funds are evening out securities firms' volatile earnings.

by Leah Nathans



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Move over Dreyfus and Fidelity! The biggest player in the booming mutual fund business isn't a money management company, but a securities firm: Merrill Lynch, Pierce, Fenner & Smith. Merrill and other Wall Street brokers are launching their own funds at a record pace and using their own salesmen to bring in the bucks, while the handsome management fees roll in.

Take Merrill. With $61.3 billion under management, the brokerage goliath earned $183.2 million in management fees. It pocketed, say, about a third of that, $55 million—a hefty chunk of the firm's total $234.4 million in earnings in the year ending June 30.

At Dean Witter Reynolds, Prudential-Bache Securities, Shearson Lehman Brothers and several other Wall Street wirehouses, fees from in-house mutual funds are now an important source of earnings (*see table*). The boost was a big factor at E. F. Hutton: Its estimated $17.6 million net from fund management fees (assuming it cleared 30% of the take) was more than half of its $29.9 million earnings in the twelve months ending June 30. And according to the Securities Industry Association, The Street's trade group, money management has been the securities business' fastest-growing profit area in the 1980s.

A large piece of the fees is pure profit. Based on the net earnings of publicly traded mutual fund companies, analysts estimate, brokers get 20%-to-30% net profit on their management fees, even though such fees represent only about 4% of total revenues. The fees are smoothing out The Street's usually cyclical bottom lines. "It gives us constant versus fluctuating income," says Michael Downey, senior vice president, financial services, Prudential-Bache. And compared to the ups and downs in trading and underwriting, these are "higher quality" earnings, says mutual fund expert Michael Lipper, president of Lipper Analytical Securities Corp.

Some believe that fat mutual fund holdings are the most valuable part of brokerages and make Merrill Lynch, E.F. Hutton and Paine Webber attractive takeover candidates. Money manager Harvey Eisen, president of Integrated Resources Asset Management, believes that if Hutton spun off its mutual funds, they would sell for half of the entire company's price. As it is, securities firms shares, he says, are "vastly undervalued."

Behind Wall Street's new love affair with money management lies a decade-long decline in equity commissions. The diminishing number of individual investors and the growing power of discount brokers have taken their

WALL STREET'S LARGEST MONEY MANAGEMENT MACHINES

SECURITIES FIRM	MUTUAL FUND ASSETS† (billions)	MANAGEMENT FEES† (millions)	NET INCOME* (millions)
Merrill Lynch	$61.3	$183.2	$55.0
Dean Witter Reynolds	27.3	62.9	18.9
E.F. Hutton	17.0	58.7	17.6
Prudential-Bache	16.7	55.4	16.6
Shearson Lehman Brothers	13.4	29.4	8.8
Paine Webber	11.5	27.9	8.4

†Lipper Analytical Securities Corp., as of June 30, 1986. *Estimated at 30% of management fees

toll on commission revenues. While the dollar amount of commissions rose, its share fell five percentage points in the past two years, says Lipper. It is now only 15.1% of total revenues, versus 45.8% ten years ago.

Meanwhile, mutual funds are one of 1986's big success stories, attracting $73.8 billion in the first half of 1986, double all of 1985's sales. Dubbed "packaged products" by Wall Street, mutual funds have proved to be the McDonald's hamburger of financial products. Instead of chancing the intricacies of specific stocks or bonds, small investors—particularly working couples who don't have time to manage money—prefer paying professional money managers. "Even brokers have their money in mutual funds," says senior vice president Tom McInerney of E.F. Hutton & Co.

But mutual funds weren't always the darlings of Wall Street. Fifteen years ago, Merrill Lynch forbad the sale of mutual funds. Securities firms hated the idea of locking up people's money in a long-term account instead of collecting commissions on their own buy and sell suggestions. "Brokers felt *they* were money managers," says Reg Green, editor of the *Mutual Fund News Service.*

In the late 1970s, however, the small investor stampeded to cash in on high yields previously accessible only to wealthier investors who could afford to buy a $10,000 CD. Mutual fund managers like Dreyfus cashed in on money market funds and then wirehouses jumped on the bandwagon. And after money market funds came municipal bond funds and government securities funds—80% of sales are in fixed income funds.

Now, brokerage firms distribute their own as well as other managers' mutual funds. Hutton's sales commissions on mutual funds were 24.5% of its total retail commission income. At Prudential-Bache, one in five retail transactions is a mutual fund sale, says Harry Jacobs, senior director.

But it's in-house money that is on the rise, says Joel Rosenthal, vice president, Jesup & Lamont Securities Co. The firms give brokers about two percentage points higher commissions for selling their own funds than others. "Our strategy is to put assets on the books," says Merrill Lynch's head money manager Arthur Zeikel.

It's easy to see the appeal of the money management business for Wall Street. Managing money is a high-profit, low-overhead business, with little more than an office and a telephone required. The brokerages are leveraging their built-in army of retail salesmen to collect mutual fund assets. "Brokers are becoming asset-gatherers," confirms Hutton's McInerney.

The securities firms reward brokers for selling funds with hefty payouts. With mutual funds charging a 6%-to-8% commission, the broker has to do three trades of $20,000 worth of stock to equal what he would get in commissions from one $20,000 mutual fund sale, estimates Floyd Jones, account executive, Drexel Burnham Lambert.

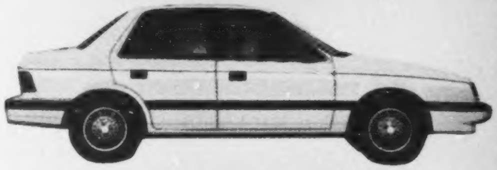
To compensate brokers for selling mutual funds, some funds have trail commissions that pay them over the life of the fund. And contrary to Wall Street tradition, the securities firms are dipping into their own pockets to pay brokers an up-front commission on sales of the new 12(b)1 funds (in order to compete with no-load funds, these spread the load over time). "We're taking a little bit longer view of the business," says Michael Downey, Prudential-Bache Securities.

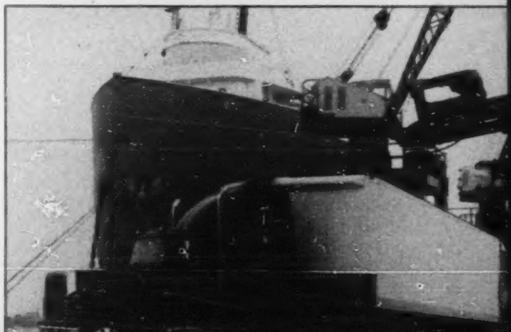
For brokerages, the growth has been nothing short of phenomenal. In 1976, when Merrill's Zeikel first came aboard, Merrill managed a grand total of $500 million. Now he presides over an empire of about fifty different funds. "It's astonishing," says Zeikel.

But how long will individuals continue to have confidence in professional money managers? Nobody knows the answer to that one. But meanwhile, Wall Street is cashing in on the funds' popularity. Brokers are selling 70% of all mutual funds and individuals willingly pay a 4%-to-8½% sales charge to buy a mutual fund from a broker, even though they could get a similar fund for no fee by answering a newspaper ad or calling an 800 number. "Brokerages have been flailing around for a new source of income," says Nancy Young, analyst, Tucker, Anthony R.L. Day. "Now they've found it." ■

Fleet Management: Update '87

Despite fuel price plunge, fleets stick with four-cylinder cars; but insurance premium increases pose a new problem for fleet administrators





Since the first Fleet Management Focus Report in 1981, the process of coping with a changing vehicle operating environment has been continual—and a fruitful one—for fleet administrators. *Contain costs* was the mandate from management, and administrators took a closer look at vehicle types and fleet composition, analyzed functional needs of the operators and—despite some bruised egos—entered into aggressive downsizing programs. The manufacturers, of course, responded to the fuel crisis by developing smaller, more fuel-efficient vehicles, most featuring front-wheel drive and four-cylinder engines.

In recent years, common sense has prevailed, despite gripes and groans from the troops in the field, who were attached to their 8-cylinder fuel hogs. Fleet administrators—backed by top management—stayed on course. Lo and behold, costs plummeted dramatically, early maintenance problems were solved and—wonder of wonders—drivers were actually getting used to the smaller cars; encouraged in part by fancy trim and bonus accessories, as well as improved fours with more power and turbo availability. (See 1987 Fleet Lineup, pg. 72) The fleet jury is still out on turbocharged fours, but just hanging a *Turbo* tag on a car seems to have a positive effect. Whether it'll make them forget sixes remains to be seen.

Both the manufacturers and the fleet administrators did what they had to do and by the 1986 model year it was time to sit back and relax a bit as stability reigned and fleet sales were back up to normal levels of 16-to-18% of production. But just when it looked like clear sailing, a dark cloud appeared in the form of soaring insurance premiums, and now fleet administrators, with their well-planned cost containment programs, are being battered by a storm that shows no signs of abating.

With accustomed resiliency, fleet managers are fighting back. According to a survey by *Runzheimer Reports on Transportation*, the industry newsletter, fully 50% of the respondents' fleets are now self-insured or considering self-insurance; 31% have begun complete or partial risk management programs; and another 19% are "changing aspects of their fleet insurance programs." The report notes, however, that "a significant element in self-insurance is that the company have an adequate number of vehicles from which to determine probable future losses." Obviously, it's not the answer for a small fleet or an underfinanced firm.

To define: Under the self-insurance concept, a company assumes all or a portion of the risk, usually establishing a fund reserve to cover possible losses.

Risk management, on the other hand, attempts to prevent loss through programs such as driver safety and training. Changing aspects may involve such factors as raising deductibles, changing carriers or insuring through lessors. These are strictly matters of strategy and *best left to staff insurance specialists*. A fleet administrator has enough to do without setting up an *ad* *hoc* internal insurance company!

In any event, risk management is a *must*, whether or not a company chooses to self-insure.

nsurance Cost Control Measure

resently self-insured or considering self-nsurance	5
mplementing cost-control risk management programs and procedures (such as river training and safety programs, more careful screening of drivers, disciplinary action against at-fault employee-drivers, removal of marginal fleet vehicles, improved preventive maintenance)	31
hanging aspects of insurance programs (such as raising deductibles; changing carriers; reviewing, eliminating, or reducing coverage; including through leasing; discontinuing insurance)	1
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Source: Runzheimer Fleet Managers Survey 1986

Another factor that should drive up fleet costs—and help drive managers further up the wall, whether a fleet is owned, leased or a combination of the two is the Tax Reform Act and its provision to eliminate the ITC as of January 1, 1987. But since companies *must* have fleet vehicles to operate, they'll just have to grimace and bear it.

In summary, fleets are humming along hardware-wise; it's just the outside pressures that are giving fleet administrators fits and forcing them to be more adaptable and prepared for rapid change than ever before. But they've come through other crises. In the way of products, at least, they'll have few complaints.

Generally speaking, fleets across the board have embraced the fours, and, according to Runzheimer (who tracks such things better than anyone), fully 38% of fleet managers surveyed say they would increase the number of four-cylinder cars in their fleets, while 28% will decrease the number of sixes; 32% will do so with eights. The latter seem to be on the way to becoming dinosaurs.

As to fleet composition, vans and minivans have made significant gains. In addition to large cargo/passenger capacity vans, minivans and light trucks are easy to sell to employees at replacement time, taking another burden off the fleet department.

(In fact, one of Runzheimer's many surveys shows a 12% drop in fleet autos, offset neatly by a gain of 3% in minivans and 9% in vans.) On the truck front, the lightweights are going through the proverbial roof, with domestics and imports both faring well. Mediums and up are holding their own, while heavy duty trucks continue to flounder, victims of a changing economy and evolving patterns of distribution. Translation: Companies just don't need as many heavy trucks anymore.

On the positive side, the domestic car manufacturers project fleet gains for the '87 model year, or at least expect to remain at the '86 level, which was a very good year. As in past Focus Reports, *Update '87* covers a variety of fleet management aspects, as well as case histories. (For more detail reading refer to *Information, Please* on page 90.) —J.C.

'87 Fleet Lineup: A Refined Group

To the casual observer, 1986 looked like a quiet year for fleet managers. The nation's economy inched along steadily without demonstrating any dramatic growth. Inflation did likewise, exhibiting none of the breathtaking leaps and bounds of years past.

The calm economic scene was mirrored in the relatively few new offerings fielded by the major carmakers. Ford's Taurus and its Lincoln-Mercury cousin, the Sable, introduced for the 1986 market year, continued to fare well in the fleet as well as in the general public's market. Over at Chevrolet, the Celebrity accounted for a full third of that manufacturer's fleet sales. American Motors Corp., on the other hand, is planning an ambitious line of new cars that will come on line in the next two years.

The market for fleet cars stabilized in 1986, but at a high level, as high as it has been for the past couple of years. Industry observers expect another good year in 1987. Overall, fleet sales accounted for roughly 16%-to-17% of total output for domestic carmakers, with imports doing well in the light truck field.

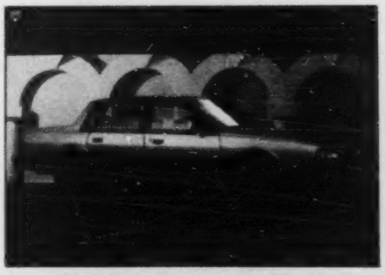
Chevrolet

Chevrolet's Celebrity is not only Chevy's number one fleet seller, it's the best-selling fleet car of all the manufacturers. As stated, Celebrity accounts for a third of all Chevrolet fleet sales.

The gap in the Chevrolet lineup left by the demise of the Citation will be filled in 1987 by the all-new-four-door Corsica and the two-door Beretta. These two cars will become available to fleets in March 1987 and will fall into the compact class. However, Chevrolet Director of Fleet Sales George Frink points out, "They'll be big compacts, larger than Ford's Tempo. They're not the wedge or the jelly-bean shape; they have a distinctive look and there's nothing comparable any where."

Chevrolet's fleet offerings start with the no-frills Chevette. Priced at $4,995, it's a natural choice for the utility and resorts rental market. The mid-compact slot at Chevy will soon be filled by the Corsica, Beretta and slightly fuller-sized Celebrity, with the top end of the size scale taken up by Chevrolet's full-size, rear wheel drive Caprice.

According to Frink, Chevrolet suffered a shortage of V-6 engines, understandable when you consider that engine production plans were formulated in anticipation of $2.50/gallon fuel prices. Nevertheless, Frink has high praise for Chevy's four-cylinder powerplant. "Our dual overhead four can run



Chevrolet Celebrity: tops in fleet sales rings around the six. The difference is mental, really, and the performance differences are insignificant when you consider that you lose the incentives that come with a four. With the higher price you pay for a six, you can be $1,500 out of pocket. What's more, with the four-cylinder Chevrolet models, you get free air-conditioning. We're getting ten more horsepower out of our fours this year, and they all will be fuel-injected.

Chevrolet's Frink: [illegible] Cavalier is [illegible] to stand out [illegible]

"For those that want them and are willing to pay the price, the supply of sixes will be better after the first of the year (no one wants eight-cylinder cars anymore). You decide if it's worth $1,500 for 18 cubic inches of difference and some perceived performance advantage," Frink concludes.

Chevrolet fleet sales are projected at about 270,000 cars for 1987, about 16% of the total production run. Around 100,000 Chevrolet light trucks are expected to go to fleets, 10% of production. "The Astro Van really started moving in 1986 following some tests by the large fleets and we expect to see a 5%-to-6% boost in sales of that model in 1987," Frink projects. "It began on the drawing board as a genuine truck, not a van, so it has more power and payload than its competitors."

Buick

Hurt by last year's demise of the X-body Skylark, its best selling fleet car, Buick expects to bounce back thanks to increased acceptance of its new *compact* Skylark, introduced late in the 1985 fleet selling season. "We have a strong lineup for '87 and expect to hit fleet selector lists in all the major categories," says R.L. Henderson, Director of Fleet Sales.

He sees the new Skylark as Buick's entry level compact, with the Century occupying the middle position and the LeSabre as the prestige Buick fleet car. Bad timing in releasing the Le Sabre resulted in disappointing fleet sales, but Henderson maintains the car is in excellent supply now.

"The Skylark has been priced lower by deleting several of the accessories that were pricing it out of the fleet manager's ballpark" he says. "We've corrected our problems and with the Skylark and the LeSabre; we project being back up to 120,000–130,000 units for 1987; about 15% of our production."

Buick has traditionally occupied the top end of the fleet market and carried a truly regal resale value. Buick's market position is reflected in the fleet incentive program offered by the carmaker: a package that includes cassette players and a wiring harness for a mobile phone. "We're selling value and a better resale performance as well as the morale factor. People given a Buick feel better about their position within a company.—it's a genuine incentive. When all the factors are weighed, the fleet Buick costs only a few dollars more than the low-priced three," Henderson sums up.

Buick LeSabre: top end winner

Oldsmobile

Olds introduced no new models for the fleet market this year, instead offering a line-up featuring some subtle styling changes along with some functional improvements. Olds' Firenza, a sporty little mover, is powered by a two-liter, four-cylinder engine with improved horsepower and greater torque.

The Calais remains essentially unchanged, except for the puzzling substitution of an AM-only radio for the AM/FM radio that had been standard equipment. Downscaling of the radio package has also happened to the Ciera and Cutlass Supreme models.

Olds' Ciera line now includes a station wagon model, while Olds' Delta 88 full-size, front-wheel-drive model is powered by a beefy 3.8 liter V-6, the only engine available for that model and replacing Delta's previous three-liter powerplant.

Olds Cutlass Ciera: fleet strength

Pontiac

In fleet sales, Pontiac is the third best-seller in the General Motors stable, up from dead last just a year ago according to Pontiac's National Director, Fleet Sales Nelson Karney. Pontiac sells two designs to fleets: the mid-size Pontiac 6000 and Grand Am.

Pontiac fleet sales rose 27% in 1986, with some 45,000 model 6000s entering U.S. fleets in 1985, along with 36,000 Grand Ams. "Preliminary figures for 1986 indicate a 17% rise in Pontiac fleet sales, and we expect to see a 12%-to-15% rise over that in 1987," says Karney. "That's an across the board increase of 55% over three years. We're very proud of it."

Karney is also proud of Pontiac's new Bonneville, a venerable Pontiac brand-name line that saw glory in the 1960's when gas was cheap and cars were huge. "People remember those days of the Bonneville," Karney says. "It was a fantastic car, with real style. We're bringing it back in the new Bonneville." This latest edition of the classic is a real six-passenger car, the first of its line with front-wheel drive, and it replaces the now-defunct Parisienne as Pontiac's full-size four-door.

Perhaps in memory of the muscle cars of yore, Pontiac still powers some of its cars with optional six-cylinder engines. The Bonneville is only available with a six-barrelled powerplant, while about 45% of Pontiac 6000s sold feature six-cylinder engines. The beefier engine is even less popular in the Grand Am; four-cylinder engines account for all but 20% of sales.

"Customers that want the six-cylinder

engine pay more for it, from $350 to $800 more, depending on the model," Karney says. "And the six doesn't have that much horsepower compared to the four, thanks to a lot of major improvements we've made in research and development into the four.

"Style is one of Pontiac's major drawing points for the fleets, because after all, it's the needs of the drivers that make the decisions for fleet managers. Pontiac cars are a little sportier than the rest and people don't want to drive a box anymore. Options are important to our customers, things like AM/FM stereo, cruise control and power controls.

Pontiac's 6000LE: high resale value

The cassette tape player is especially popular, and a lot of companies are using it as a way of reaching their people, using cassettes as a way to distribute product information, memos, etc. Motivational tapes can reach people in an on-the-road environment when they're away from the phone, free from distractions.

"Another major drawing card for Pontiac is resale, where Pontiac really shines. Falling interest rates have hurt the late-model used market, cars less than a year old. The rental car companies have taken it on the chin in that regard, but two-year-old fleet cars have held their own in the resale market."

Cadillac

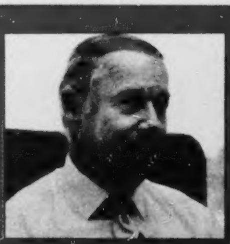
With the exception of some of the racy, exotic imports, Cadillac is still the *ne plus ultra* of the company car. The '87 line is classy, but essentially unchanged from 1986 offerings, which included a redesigned Eldorado and Seville. New options include factory-installed cellular phones along with various comfort improvements.

Chrysler

Fleet car sales are important to Chrysler because it sells fleets a higher percentage of total production than any other maker—24%, compared to the industry average of 16%-to-17%. 1986 was a good year for Chrysler, with car fleet sales up 12%. Truck sales were down slightly, mainly because Chrysler closed a plant for retooling, thanks to a model changeover and had nothing to sell.

"Over the next five years we're committed to more than $12 billion in new product development, plants and equipment," says H.L. Barton, Chrysler General Manager of Fleet Operations. "During that period, all vehicles in the line will have to be replaced. We'll be introducing a new product every quarter."

New to the Chrysler lineup for 1987 are the P body cars—the Dodge Sundance and Plymouth Shadow. Chrysler is billing these as high-value, "fun to drive" cars, and they were well-received during a recent ten-city fleet tour. Aside from these newcomers, Chrysler's primary fleet lineup begins with the Dodge Omni subcompact, followed by the new P cars and venerable standby K cars with the Chrysler LeBaron (soon to be available in both two-door and convertible versions) and counterpart Dodge 600 filling the upper management end.



Chrysler's Barton: With the '87 "P" body cars added, we can now fill every fleet need

New in the utility categories are the Chrysler T115 mini-vans: Caravan and Voyager. Increased demand for the pair has resulted in a second production plant, appropriately named "Dodge City," set to open in St. Louis next spring. The plant will also produce standard pickups as well as B model vans. With this increased level of truck production, Barton predicts an upswing in truck sales for 1987. Chrysler is also introducing a new light utility truck—the Dakota.

Chrysler offers no six-cylinder cars and management feels good about its decision. "Fleet administrators are upscaling equipment packages, not car size. Chrysler fleet cars are 100 percent four-cylinder. We've overcome the lack of sixes and satisfied those operators concerned about power with a turbo package for the four-cylinder. Now we have more worldwide than anyone," Barton says.

'87 Plymouth Shadow: fills fleet gap

Chrysler conducted a market survey on optional equipment that yielded some interesting results. "Men want AM/FM radios and speed control," Barton reveals, "Women want tilt steering wheels and electric door locks."

"With the introduction of the new P bodies for 1987, we now have a full fleet line," Barton states. "We have a great opportunity to penetrate additional market segments, since we can now fill every fleet need."

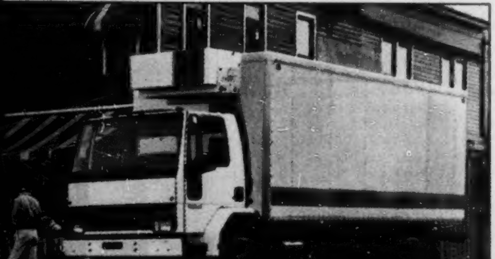
Ford

Ford fleet sales should keep their strong market share in 1987, selling an expected 361,000 cars and 385,000 trucks next year, according to Ford's General Fleet, Leasing and Rental Manager B.G. Willis. On the car side of the ledger, Ford's Taurus will get the big push in fleet sales efforts for the coming year, as will its Lincoln-Mercury cousin, the Sable.

Willis predicts that the Taurus will top 120,000 units in fleet service in 1987, more than one-third of all Ford fleet sales. Originally introduced with a six-cylinder engine, the Taurus will now feature an optical four-cylinder automatic.

"Major fleets are continually evaluating their acquisition methodology," Willis says, "weighing initial cost, operating costs, and residual values. Fleet managers are also increasingly service-conscious. Mid-size cars will account for about 60% of the fleet segment of the market this year, so Taurus is in a good position."

Ford's fleet lineup begins with the subcompact Escort, the world's best selling car, and moves on to the newly improved compact Tempo, the mid-size Taurus and the full-size Crown Victorial, big enough to handle even the most weighted-down sales rep's sample cases. Long-time Ford standbys, Mustang and Thunderbird, are successful in the rental market, Willis reports, with the T-Bird faring well with the executive crowd and in individual leasing applications. The Aerostar van is gaining fleet acceptance, and Ford Econoline van production is at full capacity. Ford expects to introduce a new F-series truck in 1987 with a new anti-skid braking system, an industry first.



Success story: Ford's "Cargo" medium truck has turbocharged diesel box

"We've done a lot more than make cosmetic changes this year. We have made the third largest investment ever, and we expect good growth in all fleet segments," Willis asserts.

Lincoln-Mercury

Lincoln-Mercury managed to hold its own in the 1986 fleet sales sweepstakes compared to 1985 levels, despite being hamstrung by the late arrival of its sleek, teardrop-shaped Sable and the elimination of the Marquise. Only six-cylinder engines are available with fleet Sables.

According to John A. Rowley, Lincoln-Mercury Major Leasing and Fleet Accounts Manager, 28% of total production goes to fleets, well above the industry average. Fleet managers can pick from a full line including the Lynx sub-compact, compact Topaz, Sable, Lincoln Town Car, and the Mercury Grand Marquise (not to be confused with the now defunct Marquise). The Topaz is unusual in that it provides air-bag protection as an option priced at slightly over $800. "It's a bargain for the protection of a company's most vital assets, its personnel," Rowley says.

Mercury Sable: smooth operator

Lincoln-Mercury's fleet sales head reports good availability and good sales for Sables, despite the lack of four-cylinder cars at this time, claiming that "fleet managers recognize the resale value of the sixes." Sable is the direct market competitor to the mid-sized Oldsmobile and Buick models, as well as the Pontiac 6000. Lincoln-Mercury's Cougar rounds out the line, although more for the individual lease and daily rental markets.

Lincoln-Mercury is packing options into all its 1987 fleet models, with stereo radios standard in all, accompanied by an extensive laundry list of other free options. A new Fleet Service Plan (FSP) is under test and should be available by the third quarter of 1987.

"It's very similar to a full-maintenance lease," says Rowley. "After a maintenance prepayment, drivers can simply pull in for service, all according to a maintenance schedule supplied by the driver. The fleet manager gets a monthly summary and far less aggravation from the drivers. FSP should eliminate most fleet administrator maintenance headaches."

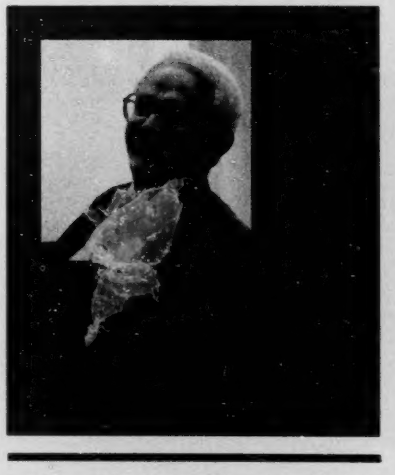
AMC

Lack of product, the marketer's nightmare, has kept AMC fleet sales low. AMC's share of the total car market in the U.S. is just 17%. Although the carmaker's Reliance was well received by the daily rental companies and certain fleets, fleet managers are demanding mid-size cars, and/or compacts at the very least.

Not to fear, says AMC Manager of Fleet Sales and Administration J. Michael Burke. Help is on the way, in the form of AMC's 1988 Medallion, a long-awaited slick new mid-size set for a January 1987 arrival, with March as the target date for fleet availability.

Based on Renault's R21, a hit in France, where it racked up 38,000 orders in its first month on the market, exceeding expected sales by 38%, the Medallion should prove a scrappy newcomer to the fleet marketplace.

The Medallion will be larger than the Renault Alliance and Encore, and will give AMC representation in the mid-size passenger car market segments that account for more than 60% of U.S. car sales," says Joseph E. Cappy, AMC president and CEO. Cappy has announced that the Medallion debut will take place six months before the release of the Renault Premier, a new line of intermediate-size cars, aimed at the 1988 market year, cars that AMC plans to build at its new $675 million highly-automated Bramlea, Ontario, assembly



plant. Pilot models of the Premier are currently set to roll off the line this December.

According to Burke, the Medallion will carry "the most liberal warranty in the fleet business: five years/50,000 miles." The warranty, plus aggressive fleet allowances should put AMC solidly back in the fleet picture.

AMC Medallion: high fleet hopes

"In addition," says Burke, "the way the scheduling for Medallion has been set up—an '88 model available in March, '87—lets fleet buyers have extra months of depreciation.

Import Update

Japanese carmakers have made limited inroads into the American vehicle fleet market, hamstrung not so much by buyer resistance as by supply problems caused by import restrictions set by the Japanese Ministry of Trade, under pressure from the U.S. government. These restrictions vary by manufacturer, and if anything, have done little more than whet consumer appetite for hard-to-get models. This demand is mirrored by the success of Japanese cars in domestic rental fleets, where sufficient supplies have allowed substantial sale. Rental, and not corporate, fleets account for the majority of Japanese fleet sales in the U.S.

While a 25% import duty in effect on Japanese light truck imports, their supply is plentiful and they sell well, both to the general public and especially for U.S. light utility vehicle fleets.

The availability of Japanese vehicles should improve as American assembly lines begin building Japanese designs.

Nissan

Nissan has been building passenger cars in its Smyrna, Tennessee, plant for some time now, turning out 250,000 vehicles annually, half of which are Nissan Sentras, half of which are various versions of Nissan's light truck, available in 23 different configurations, depending on options. The major Nissan fleet vehicles are the Sentra and Maxima.

Mitsubishi

Mitsubishi sold 25,000 trucks and 50,000 cars in the U.S. in 1985, but has no way of knowing how many went to fleets. "It's a funny situation," confesses Mitsubishi Director of Fleet Sales Don Exum. "Our fleet sales are not always coded. However, we do know that the vast majority of our total sales are going to retail customers, not fleets."

Mitsubishi sales have been kept comparatively low by a combination of factors, Exum feels. "The first are the import restrictions, of course. The second is the Mitsubishi dealer network, which is very small, just 170 dealers nationwide. We're working to expand that network, and we're also developing plans to actively pursue the American car fleet market in 1987, with special pricing at the heart of our effort."

Toyota

Toyota, whose fleet sales have been severely handicapped due to supply problems, expects to make a serious mark on the U.S. fleet market when it opens its new Georgetown, Kentucky, plant, where it will build its Corolla FX-16 automobile in a joint venture with GM. About 20% of the cars imported annually by Toyota, chiefly the Corolla, Tercel and Camry models, are acquired by fleets.

The Toyota small pickup has proved a good seller, with about 13% of its U.S. imports ending up in fleets, according to Toyota, who expects that number to rise with improved availability. "The 'Buy American' feeling that was so sommon a few years ago has faded somewhat," says Toyota Truck and Fleet Sales Manager David Esmond. "The public demand for our product shows in our acceptance in the rental market, where most of our Corolla, Tercel and Camry fleet sales end up." —B.W.

Selected 1987 Projected Ownership and Operating Costs

		Front Seat								Annual Costs[2] For 20,000 Miles		
Make[1]	Model	Head Room	Leg Room	Luggage Capacity	Weight	Overall Length	Drive Unit	Cyl	Displace	Operating	Ownership	Total
				(cu. ft.)	(Lbs.)				(Ltr.)			
Cadillac	Seville	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.1	[illegible]	$5,579	$5,96
Chevrolet	Caprice Cl.	39.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.0	[illegible]	$3,945	$5,91
Oldsmobile	Cutlass S	37.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.8	[illegible]	$3,739	$4,96
Ford	Taurus L	[illegible]	41.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.0	[illegible]	$3,764	$4,96
Chevrolet	Celebrity	38.6	42.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.8	[illegible]	$3,630	$4,90
Dodge	Caravan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$3,552	$4,72
Ford	Tempo GL	37.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.3	[illegible]	$3,401	$4,471
Chevrolet	Cavalier	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$3,352	$4,40
Plymouth	Reliant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$3,370	$4,40
Ford	Escort GL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9	[illegible]	$3,174	$4,17

Footnotes:

[1] All four door [illegible] power steering, power disc brakes, air conditioning, tinted glass, AM-FM radio (stereo when radio not available) [illegible]

[2] Costs include operating expenses (fuel, oil, maintenance and tires), ownership expenses (insurance, depreciation, financing, taxes and licensing) and [illegible]

Source: [illegible]

Fleet Fundamentals—Lorillard Style

Five years ago, when Sal Giacchi assumed responsibilities for Lorillard Inc.'s 1,500-vehicle fleet operation, its mileage average was high—16 miles per gallon. Today, that average is 22.4 mpg and Giacchi still isn't satisfied: "For our operation, every mile per gallon we can save is $100,000 worth of fuel measured over a year's time."

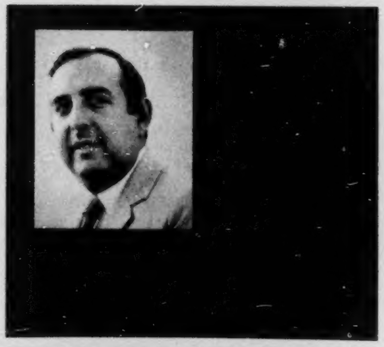
Cutting unnecessary costs is at the heart of Giacchi's fleet management philosophy. Lorillard's fleet represents a corporate investment of $15 million, backed by an annual operating budget of $8 million. The fleet is almost exclusively Chrysler products. At one time comprised mainly of Chrysler K-Cars, the Lorillard fleet has moved on to favor mid-sized Chryslers in the passenger area, with Caravans and Ram-Vans (400 in all) in the utility field.

Cars outnumber vans four to one, with Lorillard leasing its fleet from two Minneapolis-based firms, Dart & Kraft Leasing and Lend-Lease. "Our fleet operates throughout the U.S.," Giacchi says. "The cars are chiefly for our sales force, along with the divisional and regional managers. Average useful life for a Lorillard fleet vehicle is 25 months. "We realize our turnover rate is a little high, but in 1983 our tax experts figured out that 25 months was the right time for us," he continues.

Single-source arrangements are not favored by Lorillard, and accordingly, the company arranges fleet maintenance through two contractors: Dart & Kraft and to a lesser extent Gamble L&M Leasing. Of course, the relatively short life of a Lorillard Chrysler vehicle ensures protection under Chrysler's 5 year/50,000 miles program. "We've had good success with it," he says.

Giacchi's also had good success with today's front-wheel-drive, four-cylinder cars. "A number of companies that went with the smaller cars at the time of the fuel crunch in the late '70s went back to big cars after the dust settled. We've taken the avenue of not staying with the K-Car type but going instead with a larger car for the field sales people. At the same time, we've stayed with the four-cylinder engine. The added costs of a six-cylinder fleet are astronomical. We found initial added costs for six-cylinder cars to be $250 to $350 per cylinder annually, along with a one-to-three mpg loss. The only area where there were advantages to the six-cylinder was in the used market, where there was a small benefit.

The lessons of fuel shortages were not lost on Giacchi. He counsels other managers "never to forget them. Keep those days in mind. Just because fuel is available today, don't acquire less fuel-efficient cars just to satisfy your sales forces' whims."



Heads-up tax management figures prominently in Giacchi's overall fleet strategy. The repeal of the Investment Tax Credit (ITC) is cause for serious concern. "Losing the ITC will mean a difference of between $300 and $600 a year on every vehicle," Giacchi says.

Could that mean a cut in fleet size? "For this company, probably not. Our sales force will still have to get out in the field, that doesn't change. See, our cars are not perks. So it wouldn't make that much difference in terms of our overall day-to-day operations."

Use of outside management services doesn't appeal to Giacchi: "We've talked to some that wanted to reorganize our operation into one in which the drivers are given an allowance toward vehicle upkeep. I just don't believe those companies are as expert as they think. For a small operation, say with 50 to 100 cars, it might be fine. But for us it's not cost-effective; drivers don't take good care of the cars if they don't get enough money.

In-house management at Lorillard has meant cost-cutting computerization. "It's dynamite," Giacchi enthuses. "We've just converting to our new system and by early 1987 we hope to be 100% on it." Giacchi's setup centers on a network of IBM PCs and user-friendly 1-2-3 Lotus accounting software.

Giacchi is a seasoned fleet management professional, with almost 20 years' experience in the field and is among the first graduates of the Wharton School of Business Certified Fleet Management program.

His final advice to fleet managers? "Drive every vehicle. Physically get in it and drive it so you know it the way your drivers do. Anticipate the worst possible cases. And save your company a lot of money. Basically, that's the ideal. It's simply a matter of formulating a sensible policy, while providing personnel with the vehicles they need." —B.W.

Fleet Management Changes

The face of fleet management is ever changing. In the past 20 years, there has been at least four major changes in fleet management, according to Robert Berke who retired last year after serving for 20 years as executive director of the National Association of Fleet Administrators, Inc. (NAFA).

The changes include the automobile itself; government regulation of the industry; development of the desk-top computer; and the unpredictability of fuel supplies and prices.

Twenty years ago, fleet managers' choices basically were limited to 4,000 pound, V-8 powered Chevrolets, Fords and Plymouths. Optional equipment was limited to a radio.

The first major change occurred when the Federal Government entered the automobile industry.

It was just 20 years ago that Congress established the Department of Transportation and issued the first safety related regulations. In 1975, Congress, reacting to the first oil crisis established the C.A.F.E. (Corporate Average Fuel Economy) standards requiring car makers to double their average fuel economy from an estimated

13.75 mpg to 27.5 by 1985. Last year, the DOT scaled back the requirement to 26.5 mpg.

Fleet managers joined the rush to smaller, more fuel efficient cars and, in some instances, led it. The Association's NAFCAR research projects of 1975 and 1977 called for a fleet car with a 106 inch wheelbase weighing less than 3,000 pounds, a six cylinder engine, and seating for five. This is almost exactly what today's popular cars offer.

Now with stable or declining fuel prices (about 40 cents a gallon less than two years ago), fleet managers who have completed their downsizing (more correctly called downweighting) must withstand pressure from sales and marketing management types seeking a return to larger and more powerful cars that may offer more comfort but poorer fuel economy.

Today's automobile is a far different vehicle than its counterpart of 20 years ago. Competition, new technology, and government regulation have combined to change its face and form, so today's typical fleet car is a far better vehicle than its predecessors.

Almost as spacious inside, it is smaller, handles and brakes better, needs less routine maintenance and gives far better fuel economy. However, it costs a great deal more, is more difficult to maintain because of its increased complexity and the chronic shortage of trained technicians.

Adlore Chaudier, executive editor, Runzheimer International, Inc., says, "Most fleet managers polled by us emphasize two goals—to computerize their fleet records and to reduce or control maintenance costs. Interestingly, the means to achieve the second goal is to accomplish the first."

The computer has become a basic component of the modern automobile, controlling a wide range of functions from braking to carburetion. It is also a key weapon in the fleet manager's campaign to control fleet costs.

Programs are now available from a wide variety of sources that give fleet managers data on maintenance scheduling, replacement timing, operating expenses, and inventory control.

This information is essential for a well managed fleet, Chaudier says, because "the emphasis on cost control in recent years brought fleet operations to the attention of corporate officers who tend to look at the fleet from a management, not a technical point of view."

There is one other aspect of the changing face of fleet management that must be pointed out, Berke says. Today's fleet managers are better educated than ever and tend to have administrative rather than technical backgrounds. One reason is the rapid increase in the number of women now holding fleet management positions.

Twenty years ago, there were only two or three women who belonged to NAFA. Today, more than 20% of the members listed in the Association's roster are female. For many, it is the first step on the corporate management ladder and for career-oriented women, fleet offers challenge and opportunity.

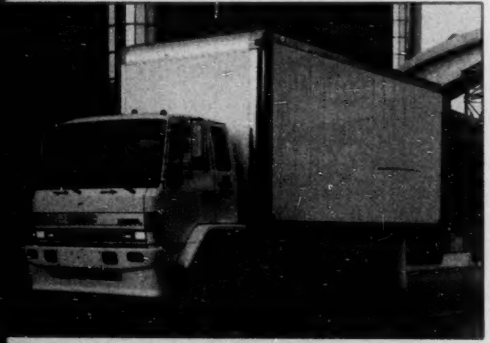
These fairly recent entrants into a previously male-dominated field are extremely active in their professional association.

For example, women now are serving as chairpersons of eleven of the Association's twenty nine chapters, and for the first time in its history the National Association of Fleet Administrators, Inc., itself has a woman president, Mrs. Helen Bland, fleet manager for Hallmark Cards, Inc.

The face of fleet management has indeed changed radically in the past two decades, and it's looking better all the time. —L.W.

Truck Deregulation Shifts to States

Deregulation on the Federal level is now pretty much a *fait accompli*, thanks to legislation, court decisions and new ICC rules. Private fleets engaged in interstate trucking have already begun to reap the benefits. Even elimination of the ICC's remaining role in truck fleet regulation is foreseen by some by 1987. But fleets operating on an intrastate basis, and many of the interstate fleets as well, are still severely hampered by state regulations.



Fuel miser: GMC's '87 medium diesel

Hundreds of diverse, outdated and contradictory state regulations and requirements face fleet operators. Only seven states may be said to be truly "deregulated"—Florida, Arizona, Wisconsin, Maine and Alaska; New Jersey and Delaware were never "regulated" states to begin with.

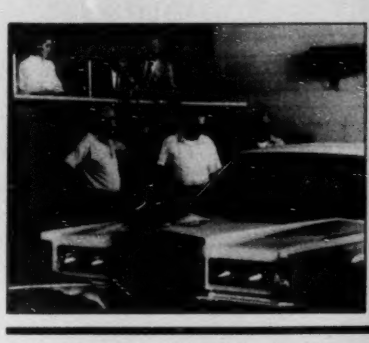
Some of the options offered by Federal deregulation are not available on the state level—only 25 or so states allow "single-source" leasing, for example. The contrast between the Federal and state situations is dramatic. An American Trucking Association's Private Carrier Conference spokesman described it this way: "On the Federal level, you're dealing in a post-1980 timeframe; on the state level, it's a 1935–1980 timeframe."

In an effort to eliminate the confusing maze of state regulations, industry activists are advocating Federal legislation limiting the states' ability to regulate trucking. In fact, such a preemptive provision was a part of legislation placed before the 1986 Congressional session and "will certainly be resurrected in 1987", says Richard Schweitzer, Legislative Counsel for the Private Truck Council.

The alternative is a constant, unrelenting effort at the state level, working within each individual state to eliminate its restrictive regulations. Court suits challenging such regulations are one approach, administrative reform by legislation is another.

The extent of such effort is confirmed by Schweitzer, "Nominally, I function as a 'Washington lobbyist,' but lately I've been more concerned with what's going on in Harrisburg, Little Rock, Austin and other state capitals." —T.R.

Final Stop: The Auction Block



Aside from sales to employees, auctions continue as a key outlet for used fleet vehicles at replacement time. How big is the industry? One major firm, Anglo American Auctions (in action at right), expects to turn over some 250,000 used vehicles in 1986, through 12 U.S. locations. The company gets 51% of its vehicles from dealers—who use the auction as a tool to adjust inventory—and 28% from fleet and lease owners; the remainder comes from manufacturers.

The way auctions work is simple enough: The seller of used vehicles—in this case the corporate fleet owner—delivers the cars in advance for any needed repairs and/or refurbishment. The prospective buyer is allowed to inspect all vehicles, and in Anglo American's case, can test drive the cars on the company's track.

Unless the seller has established a minimum selling price that is not met during the bidding process, vehicles are awarded to the high bidder. Generally, the seller pays a fee to enter a vehicle for sale and an additional fee once the sale is made. The buyer also pays a fee, and there are add-on charges for any incidental services, such as reconditioning, pickup delivery and appraisals. Not a bad business and an efficient way to redistribute used vehicles and establish a degree of pricing stability.

But it's not without problems: "Clocking", or turning back the odometer, is a perennial one. According to Gary Dickinson, Anglo American's Director of Security, "Because of the expertise of clockers and legal loopholes allowing them to cover their tracks in state title records, no security system can successfully screen out *all* clocked cars."

However, improved screening methods are paying off (Anglo American turned up only ten cases of tampering among 500,000 cars moved in 1984) and legislation is pending that will make odometer tampering a felony.

Meanwhile, *caveat emptor* is the rule for those on the other side of the gavel. For the fleet seller, auctions will continue to be excellent outlets; provided you make sure the firm is a reputable one before you register any vehicles. —J.C.

Information, Please.

1986 Automotive/Truck Guide Books: Facts, figures and fleet recommendations, available from:

- Avis Car Leasing, PO Box 117, Carle Place, NY 11514.
- Gelco Fleet & Management Services, 3 Gelco Dr., Eden Prairie, MN 55344
- Hertz Car Leasing, 1633 Broadway, New York, NY 10019
- Peterson, Howell & Heather, PO Box 2174, Baltimore, MD 21203
- McCullagh Leasing, 30803 Little Mack Ave., Roseville, MI 48066
- Leaseway, 3700 Park East Dr., Cleveland, OH 44122
- Wheels, Inc., 6200 N. Western Ave., Chicago, IL 60659

Fleet Management
Fleet Management, a comprehensive work by John E. Dolce, covers all aspects of fleet management and cost control, with emphasis on trucks. 320 pp., $31.95, from McGraw-Hill, 1221 Avenue of the Americas, New York, NY 10020.

Runzheimer Reports from: Publications Division, 555 Skokie Blvd., Northbrook, IL 60062.

- *Runzheimer Reports on Transportation*—Monthly newsletter on car/fleet management ($195/yr).
- *Runzheimer on Cars and Living Cost*—Informative and *free* quarterly newsletter on items of interest to managers.
- *Survey and Analysis of Business Car Policies and Costs*—Complete 1987/88 report; available Spring '87; ($296).
- Runzheimer Reports on Travel Management—Steps to control rising travel costs; monthly newsletter, ($245/yr).

NAFA Fleet Manager's Manual
Everything one needs to know about running a corporate fleet, and more; includes sections on acquisition, expense control, maintenance and safety. $85 per copy, from: National Association of Fleet Administrators, 295 Madison Avenue, New York, NY 10017, (212) 689-3200.

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DUN'S ANALYSIS

BUSINESS FAILURES MIRROR THE BICOASTAL ECONOMY

The dichotomous Sun Belt-Frost Belt economy of the 1970s has given way to the equally dichotomous bicoastal economy of the 1980s. The high-tech and service-oriented states of the East and West Coasts are booming as the energy, farm, mining and manufacturing depression drags down the nation's heartland.

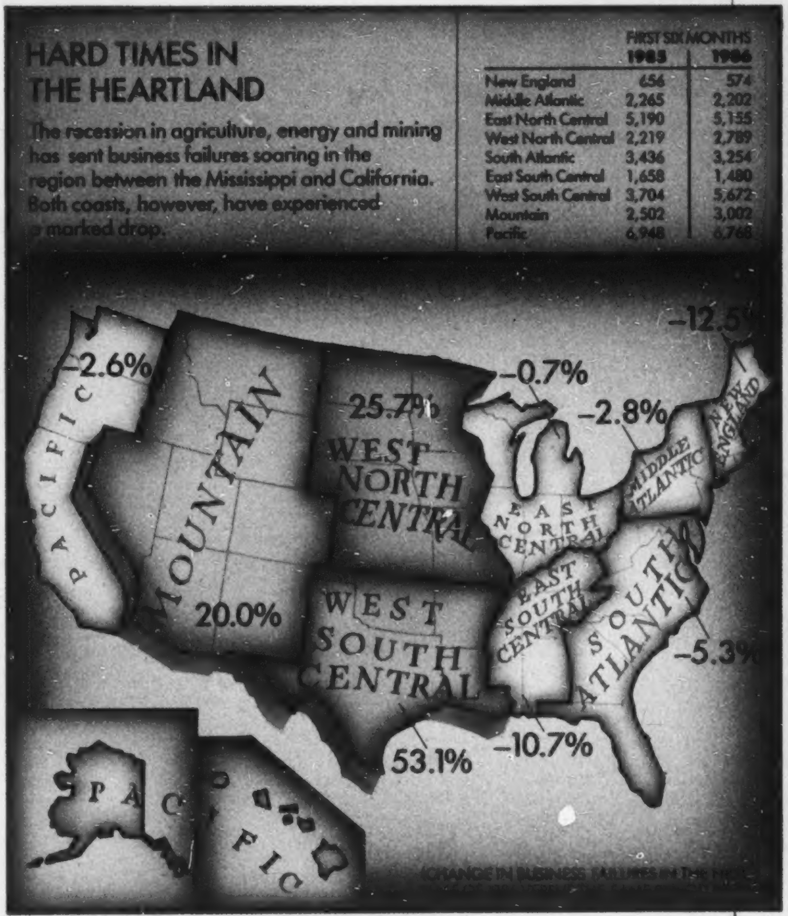
The two-tiered situation is mirrored in the business failures statistics compiled by The Dun & Bradstreet Corp. *(see map)*. Failures in the first six months of 1986 were down 12.5% in New England and 5.3% in the South Atlantic region (Maryland to Florida) over the same period last year. At the same time, failures soared 53.1% in the energy-battered West South Central region (Texas, Oklahoma, Louisiana and Arkansas) and 25.7% in the West North Central states (Minnesota, Iowa, Missouri, Nebraska, Kansas and the Dakotas), which have been hard-hit by the agricultural depression.

The bicoastal economy is also reflected in the Dun & Bradstreet Corp.'s statistics on new business starts. In the first six months of 1986, business launchings in New England were 31.9% higher than for the same period last year, while the Middle Atlantic region experienced a 28.3% increase. At the same time, new business starts dropped 5.9% in the West South Central states and 2.5% in the Rocky Mountain area.

Small business has been the backbone of the economic recovery of the 1980s, since it has created most of the 11 million new jobs the nation has seen since the decade began. So the sag in new enterprises in the nation's most troubled areas does not augur well for a recovery very soon.

An outstanding exception to the troubles in the nation's heartland is Michigan, which has experienced a sharp turnaround from its virtual depression of the early 1980s. The dominant auto industry enjoyed a resurgence and is operating at a fairly high level of capacity again. Meanwhile, the state has been able to attract many budding high-tech companies to the Detroit suburbs, particularly in the area around the University of Michigan in Ann Arbor.

Michigan's comeback is reflected in the Dun & Bradstreet figures, which indicate that the state experienced an 18.2% increase in business starts in the first six months of 1986 compared with the same period the previous year. The depressed East North Central region, of which it is a part, had only an 8.2% rise in new enterprises. Moreover, the Wolverine state had a modest 2.7% increase in business failures during this period, compared with an 8.1% rise for the nation as a whole. —JOSEPH W. DUNCAN



HARD TIMES IN THE HEARTLAND

The recession in agriculture, energy and mining has sent business failures soaring in the region between the Mississippi and California. Both coasts, however, have experienced a marked drop.

	FIRST SIX MONTHS 1985	FIRST SIX MONTHS 1986
New England	656	574
Middle Atlantic	2,265	2,202
East North Central	5,190	5,155
West North Central	2,219	2,789
South Atlantic	3,436	3,254
East South Central	1,658	1,480
West South Central	3,704	5,672
Mountain	2,502	3,002
Pacific	6,948	6,768

Source: The Dun & Bradstreet Corp.

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(8/29/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$27.69/share	$10,745	$13,818
per cent change		+7.5%	+38.2%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$142.90	$10,614	$13,216
ACCUMULATED INCOME		$73	$1,086
TOTAL		$10 687	$14,302
per cent change		+6.9%	+43%
Money Market Fund	5.74%	$10,048	$10,694
per cent change		+.5%	+6.9%
Gold (Krugerrands)	$388.20/oz.	$10,703	$11,640
per cent change		+7%	+16.4%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$107,100	$108,900	$93,700
per cent change		−1.6%	+12.5%
New House	$117,100	$115,700	$104,400
per cent change		+1.1%	$10.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

losses, who need earnings to offset them, consider investing in oil and gas income or royalty partnerships.

Owning pieces of producing wells is less risky than a share in a drilling partnership that looks for oil and gas, but it is still a dicey venture. The investor stakes, say, $15,000 or so for a share and is paid back (optimally in three years) from the oil and gas sales. The total return hinges on oil prices, production costs and the accuracy of the engineer's estimates of the property's petroleum reserves.

Royalty interests, which are an override—that is, a fixed percentage of a well's revenues before costs—are somewhat safer. The royalty holder's chief risk: If falling prices make the well uneconomical to operate, the operator might shut it in. Royalty interests ought to pay back in four years.

With small oil and gas producers selling off properties to pay their debts, interests in established wells, says Harry H. Wise of HW Associates, a New York private partnership operator, are reaping a 15% or better rate of return, assuming oil is selling at $13 a barrel and gas at $2 a thousand cubic feet. "I don't deny that the price will break again," he says, "but over the next seven years or so, it's more likely to be higher than lower."

But finding oilmen willing to sell is not easy. According to Angeles Corp.'s Winston, despite the oil patch's well-publicized troubles, the market is incredibly tight. HW Associates' Wise agrees that competition for large properties is intense, but, he says, deals of less than $1 million have become available since the end of July. He believes there will probably be another major buying opportunity before year-end.

Whether staking cash in an income, royalty or drilling partnership, investors must investigate carefully the track record and probity of the general partner and calculate the costs of operating fees and sales commissions. Wise figures that brokerage and management fees will reduce the return on a production partnership from 15% to almost 12%. —A.H.